2011 Annual Review
and
2012 Work Plan

The Electric Utility Commission

PART I – Annual Review

For the reporting period January 1, 2011 through December 31, 2011

1. Provide a brief summary of the work of the board during the past year including a list of their activities and achievements.

Overall, the Electric Utility Commission (EUC) evaluated Austin Energy (AE) purchases and major generation decisions, reviewed the current financial state of AE, provided recommendations for Council action, passed resolutions on major energy issues facing the City of Austin, and monitored tactical and strategic matters facing AE.

A. We reviewed 171 Requests for Council Action (RCAs), received 45 staff reports and briefings, and addressed three items in executive session.

B. We provided specific recommendations or resolutions to the Austin City Council on these matters (See Attachment A):
   - Eliminating general City expenses from AE's 2012 Budget to protect City Council powers to amend rates without appeal to the Public Utility Commission (2/28/2011)
   - Duplicative commission coverage of AE operations (2/28/2011)
   - Rescinding the Probability of Dispatch methodology (4/18/2011)
   - Elimination of Funding of EGRSO by AE and applying those funds to restore energy efficiency programs to 2011 levels and applying the reminder to the Repair and Replacement Fund (8/15/2011)
   - 2011 Rate Review Decision Point List (10/20/2011)
   - Implementation of a program allowing citizen-owned community solar inside AE's service territory (11/20/2011)
   - Concerning Costs of Delaying New Rate (12/19/2011)

   In addition, in March 2011, the EUC completed its work, initiated in 2010, of improving transparency at AE by having two additional public hearings on the dual needs of transparency and data privacy, before the City Council approved a new Competitive Matters resolution (included in Attachment A). That Competitive Matters Resolution restructures the approach to transparency at AE

as it assumes all information is public unless there is a specific reason it should remain confidential, which reverses the prior assumptions. The EUC continued to improve transparency by receiving public input and providing guidance to staff on how the AE Annual Performance Report could include more detailed information in a manner more accessible to the general public. After two public hearings on the topic, the staff prepared a revamped form of annual report, which was approved by the EUC in November 2011. That new form of annual report is also included in Attachment A.

C. The EUC received 102 Citizen Communications in 2011, including 84 during Rate Review discussions in September and October.

D. The EUC was represented during AE's Public Involvement Committee programs on the redesign of electric rates.

E. Among the issue areas reviewed by the EUC in 2011 were:
   - Funding methods for energy efficiency programs
   - City regulation of electric customer privacy
   - Federal grants for AE weatherization programs
   - Customer care, billing, deferred payment arrangements, and disconnections
   - Rolling blackouts of February 2, 2011
   - Rate redesign process and principles, including decision point list
   - Energy Conservation Audit and Disclosure requirements
   - Texas Legislative activities affecting AE
   - Austin Energy's Fuel Hedging Program
   - US DOE "BetterBuildings" Program
   - AE's 2012 budget
   - AE's generation resources
   - Implementation of ERCOT Nodal Market
   - Plans to execute additional long-term wind power purchase agreements
   - PPA's for coastal wind power
   - Transparency and reporting in Annual Performance Report
   - Representation on customer rate design panels
   - AE solar generation planning and value of solar
   - Strategy to reach peak demand goals
   - customer complaint process and procedures
   - programs for low income customers (including weatherization)
   - energy conservation programs
   - policies concerning back billing
   - AE's role in economic development
   - net metering
   - tree trimming
   - power factor standards for commercial billing

See Attachment B for a list of briefings and reports provided to the EUC in 2011.

2. Evaluate board actions throughout the year to determine compliance with the mission statement.

All activities and achievements of the EUC during 2011 were in compliance with the mission statement of the Commission as outlined in the Ordinance.

PART II – Workplan

1. Mission statement (Bylaws)

The purpose of the board is as follows:

(A) The commission shall review and analyze all policies and procedures of the electric utility, including the electric rate structure, fuel costs and charges, customer services, capital investments, new generation facilities, selection of types of fuel, budget, strategic planning, regulatory compliance, billing procedures, and the transfer of electric utility revenues from the utility fund to the general fund.

(B) The commission shall advise the city council, the city manager, the electric utility, city departments, and city boards, commissions, and committees on policy matters relating to the electric utility. All advisory information given shall simultaneously be forwarded to the city manager.

(C) The commission may review, study, and make recommendations to the Planning Commission on proposed electric utility projects for inclusion in the Capital Improvements Program.

(D) The commission may request that the city council hire an outside consultant every five years to make a comprehensive review of the policies and procedures of the electric utility. The commission may initiate an external or internal review of the policies and procedures of the electric utility. If the commission initiates a review, it shall report its findings to the city council and the city manager.

(E) The commission shall interpret the role of the electric utility to the public and the role of the public to the electric utility. The commission may hold a public hearing and briefing session every six months to explain new policies and to take citizens comments, suggestions, and complaints.

(F) The commission may make recommendations to the city council before final council action on a policy or procedure of the electric utility.

(G) The commission shall request from the city manager any information which it deems to pertain to the electric utility.

(H) The commission shall, as a body, review customer complaint procedures, accept specific customer grievances and complaints, and make recommendations to the city council and city manager based on its findings. This duty does not supersede, replace, or substitute for the appeal procedures provided to customers in the City Utility Service Regulations.

(I) The commission shall seek to promote close cooperation between the city council, other city boards, committees, and commissions, city departments and individuals, institutions and agencies concerned with the policies, procedures, and operations of the electric utility to the end that all similar activities within the City may be coordinated to secure the greatest public welfare.

2. Goals and objectives for the next plan year focused on long-range, strategic issues.

- Assist AE in completing its rate redesign
- Increase communication between City Council Members and EUC members
- Push for long-term solution to General Fund Transfer method question
- Increase public communication with EUC
- Encourage public discussion on the future governance of AE and the appropriate role and authority of the EUC
- Provide public oversight over AE's budget and efforts to reduce costs
- Provide public oversight over long term planning regarding electric rates

3. Proposed activities for the next year to achieve the commission's goals and objectives.

In addition to our regular monthly meetings in review of AE policies and procedures, we make the following recommendations.

We recommend that EUC members should meet at least quarterly with their appointing City Council Members to review current and future issues relating to AE.

We recommend that least one EUC member should accompany each resolution sent by the EUC to the City Council and be present when it is heard by the City Council, and also available to answer questions by Council Members and staff.

We recommend that the EUC have a separately dedicated web page on the City's web site. To limit costs, we recommend that this web page be limited to the following functionality: information explaining the role of the EUC, information explaining how citizens can communicate to the EUC and allowing them to do so over the web, links to agendas and minutes of EUC meetings, and links to video of EUC meetings. There should be a link to this website from the AE web site.

Attachments:

A. Resolutions or written recommendations sent to the Council in 2011 including a copy of the Competitive Matters Resolution and the Austin Energy Annual Performance Report FY 2010
B. List of briefings and reports received in 2011

Resolution of the Electric Utility Commission

February 28, 2011

Eliminating General City Expenses from Austin Energy's 2012 Budget to Protect City Council Powers to Amend Rates without Appeal to the Public Utility Commission

Whereas, the Electric Utility Commission (EUC) is a citizen advisory board established to advise the City Council on matters relating to Austin Energy;

Whereas, since 2007 the EUC has passed resolutions each year calling on the City Council to remove from Austin Energy's operating budget expenses that fund general city programs that do not directly relate to the Austin Energy's business as a utility;

Whereas, this Resolution does not relate to the general fund transfer, but only addresses operating expenses that Austin Energy is being required to carry in its annual operating budget;

Whereas, several of the EUC's prior resolutions on this subject are attached to this resolution;

Whereas, an appeal of Austin Energy's rates to the Public Utility Commission (PUC) is much more likely if Austin Energy is required to absorb City of Austin expenses for activities that are not used or useful in the production or transmission of energy by Austin Energy;

Whereas, Austin Energy is preparing to amend its rates in 2012;

Whereas, an appeal of Austin Energy's proposed rates to the PUC would be very expensive and expose all Austin Energy customers to considerable risk and uncertainty;

Whereas, the EUC prefers local, not state, control over Austin Energy's rates;

Whereas, the City should position itself as soon as possible to minimize the chance of such an appeal to the PUC or, in the alternative, to maximize its chance of success in the event of such an appeal;

Whereas, the City should eliminate in Austin Energy's 2012 budget as many items as possible that would weaken Austin Energy's position in front of the PUC, such as expenses borne by Austin Energy that are not used or useful in the production or transmission of energy by Austin Energy;

Therefore, be it Resolved, the City Council should direct the City Manager to work with Austin Energy's attorneys to identify items in the Austin Energy 2012 budget that are most likely to make Austin Energy's approved rates in 2012 subject to an appeal to the PUC and, in the event of such an appeal, are most likely not to be approved by the PUC when calculating Austin Energy's rates;

Resolved, the City Manager should report those items to the EUC and City Council no later than April 15, 2011 so that as many of those items as possible can be removed from the 2012 Austin Energy budget.

Resolution of the Electric Utility Commission

February 28, 2011

Cost Analysis of the City's Boards and Commissions

Whereas, on January 27, 2011 the City Council directed the City Manager to work with the City Clerk to conduct a cost analysis of the City's boards and commissions system;

Whereas, both the Electric Utility Commission (EUC) and the Resource Management Commission (RMC) oversee Austin Energy;

Whereas, both the EUC and the RMC are non-sovereign commissions comprised of volunteers who may, or may not, have specialized knowledge regarding the operation of an electric utility company;

Whereas, Austin Energy has revenues over $1 Billion annually and engages in a wide variety of highly sophisticated activities;

Whereas, the EUC wishes to contribute its opinions and experiences to the City Manager’s analysis;

Therefore, be it Resolved, the EUC believes that having two non sovereign commissions oversee Austin Energy is neither efficient nor effective, especially when those commissions are volunteers with no required experience in the utility industry;

Resolved, the City Manager should consider consolidating the review of Austin Energy to a single commission so as to eliminate the need to have city staff spend duplicative nights before two commissions.

Resolution Approved by the Electric Utility Commission
April 18, 2011

WHEREAS maintaining the long-term financial strength and sustainability of Austin Energy is a critical priority of the City of Austin, and

WHEREAS Austin Energy's base electric charges were last adjusted in 1994, and

WHEREAS over the last 17 years Austin Energy has experienced significant changes in costs of materials and labor, system growth, and expansion of programs; and

WHEREAS Austin Energy's Five-year Forecast presented to the City in 2010 predicted the need to adjust its base electric charges; and

WHEREAS, the City Council desires that an adequate public process be held before the Electric Utility Commission that will result in a recommendation to the City Council regarding an adjustment of electric rates that will meet the operational needs of the electric utility and that are fair, just, and reasonable and equitably balanced among the various electric customer classes; NOW THEREFORE

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:

1. Pursuant to City Code Section 2-1-143(B), the Electric Utility Commission ("EUC") shall establish and conduct a public review process to evaluate and analyze the City staff's recommendations regarding revised electric rates and a revised electric rate structure. The EUC shall establish a schedule and procedures governing the conduct of these meetings, to begin with the presentation of the staff Rate Analysis and Recommendations Report required by this resolution;

2. Council Resolution 971204-36, specifying the use of the Probability of Dispatch cost allocation methodology in City electric rate proceedings, is hereby rescinded;

3. The City Manager is directed to present a Rate Analysis and Recommendations Report meeting the requirements of City Code Section 2-5-45 to the EUC and the public at a specially called EUC meeting on or about September 1, 2011. The staff Rate Analysis and Recommendations Report shall include (1) a proposed cost of service; (2) proposed revenue requirements, customer classes, cost allocation methodologies, rate structures, and rates and charges; and (3) alternative methods that are commonly used in the electric industry for the allocation of power production costs among customer classes. The Report shall provide factual support, explanations, and justifications for the proposed revenue requirements, cost allocation methodologies, and rate structures. Following presentation of the Report, it shall be made readily available to the public for review, including by downloadable web format;

4. Advance public notice of not less than 14 calendar days shall be given prior to the specially called meeting for presentment of the Rate Analysis and Recommendations Report, which is to be accompanied by the meeting schedule and process established by the EUC for the public review process. In addition to the standard methods of providing public notice of Board and Commission meetings, notice shall be published in newspapers of general circulation in the Austin Energy service territory and on the Austin Energy website. Notice shall also be made by email to members of the Public Involvement Committee convened by staff and to known stakeholder participants. The EUC may set additional public meetings at its discretion with 7 calendar days advance public notice;

5. After receipt of the Rate Analysis and Recommendations Report, the EUC shall hold public meetings in accordance with the published schedule to analyze and evaluate the report's recommendations, to receive further presentations and information from city staff, and to receive public comment, presentations, and recommendations regarding the report. The EUC may recognize and designate stakeholder and rate class representatives for regular allotment of speaking and presentation time;

6. At each public meeting regarding the Rate Analysis and Recommendations Report, the Residential Rate Advisor retained by the city pursuant to Council approval on October 14, 2010 shall be afforded opportunity to make a presentation or provide written comment on behalf of residential ratepayers and shall be made available to respond to questions from members of the EUC;

7. The EUC shall complete its review process and provide its final recommendations to the City Council no later than the end of October of 2011, which shall include a list of issues considered by the EUC, the EUC's recommendations on each issue, and a summary of the comments made and positions taken by the Residential Rate Advisor and participating members of the public on each issue during the review process;

8. Following the EUC's issuance of its final recommendations to the City Council, the City Manager shall present his final Rate Analysis and Recommendations Report at a City Council work session;

9. Further proceedings regarding the proposed electric rates shall be held before the City Council as required by City Code Section 2-5-45.

Electric Utility Commission
Resolution
August 15, 2011

WHEREAS, the Electric Utility Commission is concerned that using Austin Energy monies to pay for the Economic Growth & Redevelopment Services Office's (EGRSO) budget may increase the likelihood that Austin Energy's new rates are appealed to the Public Utility Commission (PUC);

WHEREAS, the Electric Utility Commission is concerned that using Austin Energy monies to pay for EGRSO's budget may weaken Austin Energy's ability to defend its new rates if Austin Energy's new rates are appealed to the PUC;

WHEREAS, the Electric Utility Commission has recommended for several consecutive years that requiring Austin Energy to fund a department, such as EGRSO, that Austin Energy does not oversee is a bad business practice that leads to waste;

WHEREAS, inadequately funding energy efficiency is poor planning for the utility;

WHEREAS, having a Repair and Replacement Fund for the utility with close to zero dollars is not prudent planning;

THEREFORE, the Electric Utility Commission recommends approving the proposed FY 2012 Budget, subject to eliminating Austin Energy's funding of EGRSO and applying those funds to restore Austin Energy's energy efficiency programs to last year's levels and the remainder applied to Austin Energy's Repair and Replacement Fund.

This resolution was unanimously approved by the members of the Electric Utility Commission at their regularly-scheduled meeting on August 15, 2011.

Phillip Schmandt, Chair
Linda Shaw, Vice Chair
Gary 'Bernie' Bernfeld
Shudde Fath
Stephen Smaha
Steve Taylor
Dr. Michael Webber

2011 Rate Review Decision Point List – Electric Utility Commission (EUC) Review

Issue	Austin Energy Staff Recommendation[1]	Residential Rate Advisor	EUC Majority Position	EUC Minority Position(s)[2]
1. Achieve Revenue Requirement	Collect revenues from all customer classes sufficient to fund core functions and the utility's strategic objectives. Increase overall revenues based on the Test Year 2009 results from $1,004,133,897 to $1,111,135,775, or an 11.1% increase.	Concur as Austin Energy (AE) must collect its revenue requirement. Agree that cash flow methodology is reasonable to use to calculate revenue requirement. Concur with use of 2.0X debt service coverage (DSC). Concur with the use of 50% debt funding assumption. Concur with the level of Capital Improvement Plan (CIP) funding, although not with the method by which that level was derived. Concur with the level of the General Fund Transfer (GFT) and recognize that AE has properly followed City policy with respect to GFT computation. However, the Residential Rate Advisor (RRA) recommends that the GFT be calculated on a basis that does not include highly variable power supply costs. RRA concurs that the level of Administrative and General (A&G) expense is reasonable. Concur with known and measurable adjustments, except to	Concur with AE, subject to removing the following from the revenue requirement: 1. Economic Growth and Redevelopment Services Organization (EGRSO) and Austin Climate Protection Plan (i.e., departments where employee salaries are paid by AE but the employees do not report to AE (See annual EUC resolutions since 2007); 2. Any portion of the general fund transfer based on fuel revenues (See annual EUC resolutions since 2007); and 3. An additional reduction of the revenue requirement of $13.6 million [based on analysis under "Scenario 3" presented by the RRA at the October 17, 2011 EUC meeting]. 10/17/2011: Motion by Schmandt, second by Smaha, passed on 6-1 vote with Day voting no.	Disagree. AE's request for a rate increase of $111 million should be rejected. City Council should cut that request by 50-75%. The stated deficiency is made up of discretionary reserves that are mostly funded in other ways; removal of test year revenues resulting in over-statement of the need for an increase; and overstated expenses. Following is a summary of proposed reductions to AE's requested increase. The adjustments total $100 million [out of $111 million requested], and are intended to assist Council in evaluating AE's request. Recognize the test year level of off-system sales revenues. That amount is $35 million. AE has adjusted these revenues out of the test year for rate-making purposes on the basis that it does not know what the actual level of revenues will be in the future, and because participation in the nodal market will change how revenues will be accounted for. AE admits it will continue to receive off-system sales revenues. The test

[1] Preliminary; to be finalized for final proposal to the Austin City Council following evaluation of public input and input from the EUC during the EUC review process.
[2] The EUC Commissioners supporting the minority positions are noted following the text regarding each issue or sub-issue identified.

Issue	Austin Energy Staff Recommendation[1]	Residential Rate Advisor	EUC Majority Position	EUC Minority Position(s)[2]
		the extent that Other Revenues should be adjusted for Test Year-end number of customers and Franchise Fees should be adjusted for revised revenue requirement levels. RRA believes that AE has followed City financial policy guidelines for most funding calculations. However, the RRA is concerned that AE has not fully supported the levels required by that policy. RRA believes that AE should be allowed only 60 days of O&M expense funding for the Rate Stabilization Fund. RRA agrees with funding of non-nuclear generation decommissioning reserves for Decker and FPP, but not for Sand Hill. RRA recommends that AE undertake decommissioning studies for Decker and FPP. RRA agrees that the AE has provided support for using a rate base approach to revenue requirement determination that supports the level derived from AE's cash flow approach.		year amount must be recognized in the rate case to match the test year level of expenses and capital costs associated with off-system sales. Commissioner Day Commissioner Fath joins Commissioner Day because AE's rationale here is exactly opposite its rationale for the $9.7 million weather normalization addressed in the next paragraph. Recognize the test year level of revenues from system sales. AE has adjusted out $9.7 million for purported weather normalization. As with the off-system sales revenues, this AE adjustment artificially over-states the need for a rate increase. AE's rationale is that the 2009 test year was an unusually hot year so the revenues to be expected going forward will not be as high since it won't be as hot. The summer of 2011 has demonstrated the fallacy of AE's rationale. The $9.7 revenue adjusted out [omitted] for "weather normalization" should be put back in the test year. AE's rationale for omitting this $9.7 million [using a 10-year period for *temperatures]* is exactly opposite AE's rationale for omitting $35 million off-system sales revenues by disregarding usual practices. Commissioners Fath and Day Reserve fund contributions should

Issue	Austin Energy Staff Recommendation[1]	Residential Rate Advisor	EUC Majority Position	EUC Minority Position(s)[2]
				not be a separate expense because they are already funded through other expenses. This expense should be adjusted by $22.7 million. AE claims that in order to meet Council's financial policies, several reserve funds need to be separately funded. One is a repair and replacement reserve. AE already receives an expense for construction [CIP] that is generously funded. If AE wants to set part of those monies aside in a reserve it may do so. Further, depreciation is recognized in the rate setting. Another of the reserve funds requested is for working capital. At the PUCT and across the country before public utility or public service commissions, working capital reserve funds have been rejected [and even recognized as negative] because the utility receives its payments from customers *before* it has to pay its bills so it actually makes money from the time lead. AE has also included separate funding for a strategic reserve fund. This is theoretically for emergencies and for "rate stabilization". Rate stabilization is another way of building up a discretionary fund to avoid truly living within the 2% affordability cap in future years. AE includes a non-nuclear decommissioning reserve. AE presented no study to substantiate this request for $6.7 million. AE

Issue	Austin Energy Staff Recommendation[1]	Residential Rate Advisor	EUC Majority Position	EUC Minority Position(s)[2]
				did not discuss what it needs to decommission, the projected cost, offset of salvage value, etc. Most importantly, AE has built into this rate request 2.24 times debt service coverage [principal and interest on debt]. The bond covenants require only 1.25 times coverage to assure the financial community of sufficient resources and reserves. Council has chosen 2 times coverage as a cushion against extraordinary events and for reserves. AE has increased that to 2.24 times in this case. In fact, according to AE's statements in its 2010 bond prospectus it states that it achieved 2.78 times coverage in 2009 [the test year in this case]. So clearly reserves are already accounted for and inclusion of another $22.7 million for another reserve expense is double counting. Commissioner Day; Comm'r Fath joins Comm'r Day in opposing whatever dollar amount reduces debt service coverage from 2.24 times to 2 times. Capital Expenditures should be reduced by $32.7 million consistent with the adjustment proposed by customer, Data Foundry. This adjustment is made by Ms. Fox and consists of adjusting the level of the expense consistent with what AE has spent over a multi-year period, and changing AE's assumption of

Issue	Austin Energy Staff Recommendation[1]	Residential Rate Advisor	EUC Majority Position	EUC Minority Position(s)[2]
				funding capital projects by 50% debt and 50% equity to the more normal assumption of 60/40. Indeed, Austin's water and wastewater department uses an 80% debt, 20% equity funding. San Antonio's CPS electric utility uses 60/40 debt to equity. This assumption is fairer to today's ratepayers vis-à-vis future customers than the 50/50 assumed by AE. Adjusting the funding assumption is fiscally sound in today's debt market, and moderates [reduces] the rate request. Commissioner Day AE's request to increase interest and dividend income by $9.7 million should be rejected. AE requests that ratepayers fund $9.7 million for hypothetical interest because AE projects it will not make as much interest in the future as in the test year. This adjustment should be rejected. Commissioner Day Council should tell AE the level of increase, if any, that can be tolerated in today's difficult economic environment, and direct AE to come back with a request consistent with that specified amount. Such an approach allows AE to make the judgments about where best to cut its request consistent with the total number set by Council. Further,

Issue	Austin Energy Staff Recommendation[1]	Residential Rate Advisor	EUC Majority Position	EUC Minority Position(s)[2]
				Council should require that no individual customer receive an increase on his/her bill that is higher than the "average increase". Under AE's current proposal some customers receive a decrease while others receive an increase of 30-50%. Commissioner Day
2. Align Rates by Customer Class with Cost of Service (minimize subsidies across customer classes)	No customer class should pay greater than 105% or less than 95% of its cost of service in the implemented new rates, with the condition that the utility achieve its total revenue requirement through implemented rates with the exception of contract customers.	Concur with this metric. However, the selection of the cost of service model upon which the 105% and 95% are calculated, defines the true impact. The Average and Excess Demand (AED) method places 20% more production cost on residential customers than the Baseload, Intermediate, Peak (BIP) method. I do concur with statements made by AE that selection of 95% AED equates to 100% BIP, from the perspective of residential customers.	Concur with AE, but as 95% and 105% are arbitrary, consider adjusting and expanding, to perhaps 92.5% and 107.5% as means to alleviate impact on lowest income customers and alleviate impact of selecting AED cost allocation method over BIP. Also, to remain consistent with AE's rate-making principle of "no interclass subsidies," remove (a) economic development, if any, (b) bad debt and (c) implicit subsidy to special contract customers ($20.75 million in 2009), from residential fixed costs and allocate them to (a) Commercial and Industrial only, (b) all customer classes, and (c) commercial and industrial customers only. 10/17/ 2011: Motion by Webber, second by Smaha, passed on 4-0-3 vote with Day, Fath, and Shaw abstaining. [at the 10/20/11 EUC meeting Day requested her vote be reflected as no]	Disagree. By selection of a production cost allocator [AED] that over-allocates to the residential class, AE is in the position of advocating adjustments to the end result. This would be unnecessary if a correct production cost allocator was used. *See*, #5. Commissioner Day
3. Set Policy Bounds on Customer Class Alignment with	Set the Residential, Secondary Voltage <10 kW, and Lighting customer class target revenues at	Concur with this metric. See Issue #2, regarding cost allocation differences between the BIP	Concur with AE.	Disagree. This adjustment is unnecessary if BIP cost allocation method is used. Selection of AED

Issue	Austin Energy Staff Recommendation[1]	Residential Rate Advisor	EUC Majority Position	EUC Minority Position(s)[2]
Cost of Service	95% of cost of service and set all other customer classes at 104% of cost of service.	method and the AED method.	10/17/ 2011: Motion by Smaha, second by Webber, passed on 7-0 vote. 10/20/2011: During discussion of Issue 11, motion by Webber to set lighting at 100% of cost of service, second by Smaha, passed on vote of 7-0. [at the 10/20/11 EUC meeting Day requested her vote be reflected as no]	over-allocates to the residential class, thus requiring an adjustment. Commissioner Day
4. Mitigate Impacts Within Customer Classes	(a) No residential customer electric bill below 1,500 kWh should increase by more than $20 a month on average. (b) Transition non-demand secondary commercial customers to demand rates.	(a) Concur with AE. (b) Concur – Rate shock will be reduced with a transitional plan for non-demand customers, as they are brought up to cost of service.	Concur with AE. 10/17/ 2011: Motion by Webber, second by Smaha, passed on 6-1 vote with Day voting no.	
5. Select a Production Demand Cost Allocation Method	Apply the Average and Excess Demand Method to 1) recognize that customers benefit from both capacity and energy produced from generation assets; 2) to reward high load factor and energy efficient customers; 3) to be consistent with methodologies commonly used in Texas and around the country.	Disagree – Apply the BIP Method. Consistent with the Public Utility Commission of Texas (PUCT)-ordered nodal market. Recognizes that customers benefit from both capacity and energy produced from generation assets; and is consistent with methodologies used around the country. The BIP method is a simplified version of the Probability of Dispatch method previously approved by the PUCT and the City of Austin. The PUCT has not made any determination regarding cost allocations in a nodal market. Furthermore, the BIP method is	Concur with AE, subject to the adjustments made in Issue #2 above. 10/17/ 2011: Motion by Bernfeld, second by Smaha, passed on 5-2 vote with Day and Fath voting no. [In an e-mail dated 10/26/11 Shaw requested her vote be reflected as no]	Disagree. Council should adopt the Baseload, intermediate, peaking [BIP] production cost allocation method which is consistent with the ERCOT nodal market, of which AE is now a part. BIP is closest to the Probability of Dispatch allocation method City Council adopted by unanimous vote in 1997. POD is the fairest to all classes of customers. BIP and POD recognize the value and use of AE's generating plants year round and assign costs based on the reality of how baseload generation is used [STP and Fayette]; how intermediate plants [Decker and Sand Hill – gas] are used; how

Issue	Austin Energy Staff Recommendation[1]	Residential Rate Advisor	EUC Majority Position	EUC Minority Position(s)[2]
		consistent with the use of AE's generation resources by the Electric Reliability Council of Texas (ERCOT). [This recommendation must be considered in conjunction with Item #2; if BIP is chosen than 95-105 cost of service would need to be narrowed/eliminated]		peaking units [combustion gas turbine units also located at Decker and Sand Hill] are used. Use of BIP as the production cost allocator results in 20% lower allocation of production costs to residential customers than under AED. The AED [average and excess demand] method of allocating production costs allocates cost for the entire year based only on contribution to system peak in the summer. It fails to recognize the higher production costs associated with baseload plants used throughout the year. It is biased in favor of industrial customers by failing to allocate them a significant portion of the high capital costs and operating costs of the baseload generators [STP and Fayette]. These baseload units are not built for or operated as peaking units; they run all the time. But the choice of AED allocates them as if they were peaking units by basing the allocation on summertime system peaks. The method is flawed and biased in favor of industrial customers to the disadvantage of residential and small commercial customers. As AE says in its rate filing, section 4, page 85: "*…the BIP method is most favorable to residential customers and small business, while…AED provides the most favorable results for the larger commercial and industrial*

Issue	Austin Energy Staff Recommendation[1]	Residential Rate Advisor	EUC Majority Position	EUC Minority Position(s)[2]
				customers." The Residential Rate Advisor also recommends adoption of BIP. Commissioners Fath, Shaw, Day
6. Consolidate Customer Classes	Consolidate current customer classes from 24 to 9 classes and develop classes based on cost of service differentials, including unique service requirements and electricity usage characteristics.	Concur with the reduction in classes and recommend that AE continue to monitor differences in consumption within the secondary and primary customer classes and seek future reductions in the number of customer classes.	Concur with AE, but add new class for public schools who will pay no more than 95% of allocated costs and provide relief to public school locations with multiple meters; and any subsidy for schools should be allocated to all customers on a per kWh basis. 10/20/ 2011: Motion by Schmandt, second by Smaha, passed on a 7-0 vote	I voted for the special class and below-cost rate for public schools only because the State has failed our schools and deprived them of money to pay for essentials. I am always concerned about below-cost rates because it means other customers will pay more to subsidize such rates. I think a better solution would be for Council to pay this 5% below cost amount out of the General Fund Transfer. Or, better still would be to reduce the level of the rate increase and keep the rate design as it is currently and there would be no need to treat public schools differently. Commissioner Day The unanimous EUC vote to start demand charges at 20kW (rather than AE's first kW) in the smallest commercial classes may help some schools and worship facilities. For sure the 20 kW threshold will help many small businesses. Ratepayers below 20 kW also will be relieved of Power Factor issues. Perhaps the 20 kW could even be increased higher without affecting system-wide load curve. Commissioner Fath
7. Update Rate	Unbundle rates and apply a	Concur with the direction and	Concur with AE. It is necessary to	Disagree. Council should <u>not</u> adopt

Issue	Austin Energy Staff Recommendation[1]	Residential Rate Advisor	EUC Majority Position	EUC Minority Position(s)[2]
Structure for Residential Customers	customer charge, electric delivery charge, energy charge, regulatory charge, community benefit charge, and energy adjustment.	suggest complete unbundling of the electric delivery charge from the energy charge to be consistent with AE's transparency principle and the Texas deregulated market.	unbundle rates in order to fully achieve the benefits of a utility company that does not depend on the sale of energy to recoup its fixed costs. Once the business model is shifted in this manner, the utility will have less incentive to promote the sale of additional energy and will have more incentive to encourage both energy efficiency and distributed generation. It is this type of change that will allow AE to preserve its role as a leading innovator in the electric utility industry. There will never be a "good" or "easy" time to make such a change, so we may as well do it now – those who follow us will thank us for having the courage to make this change so they may reap the benefits later. We cannot today fully anticipate what benefits may be unleashed from such a fundamental change in the utility's business model, but we can expect them to be profound, especially if they trigger growth in distributed generation. 10/20/ 2011: Motion by Schmandt, second by Webber, passed on 4-3 vote with Day, Fath, and Shaw voting no.	a fixed Electric Delivery charge. No regulated utility in Texas has been allowed to charge a fixed Electric Delivery charge. There is good reason for this: it would break the link between usage and price. Stated simply: the more you use, the more you should pay. In the past AE has followed the goal of sending correct pricing signals to customers to encourage conservation. A fixed Electric Delivery charge will be punitive to small users, cause rate shock, and remove the economic incentive to conserve. For low-use customers the rate increase could be over 50% simply due to loading costs into a fixed charge unrelated to usage. This violates all rate-making principles. Customers who conserve would be penalized by this front-loading of charges which cannot be altered by usage. Adoption of a fixed Electric Delivery charge would contradict the City's commitment to energy conservation. It should be rejected by Council and these distribution costs should be rolled into the Energy Charge as currently done. The profit-making wires charge dollars should be rolled into the profit-making Energy Charge. As AE says in the response to CmDay 1.14 regarding the Electric Delivery Charge: "*It is appropriate to recover these costs on either a fixed dollar per month basis or a per kW*

Issue	Austin Energy Staff Recommendation[1]	Residential Rate Advisor	EUC Majority Position	EUC Minority Position(s)[2]
				basis from customers since these costs do not vary significantly with energy [kWh] usage." And it makes one less billing component. AE should move quickly to institute hookup fees for all extensions of new service (new meters). Fixed charges in general should be avoided because they prevent customers from affecting the size of their bill by their usage choices and behavior. Commissioners Fath, Shaw, Day
8. Update Rate Structure for Commercial and Industrial Customers	Unbundle rates and apply a customer charge, electric delivery charge, energy charge, demand charge, regulatory charge, community benefit charge, and energy adjustment.	Concur with the direction and suggest complete unbundling of the electric delivery charge from the energy charge to be consistent with AE's transparency principle and the Texas deregulated market.	Concur with AE. See EUC response to Issue #7. 10/20/ 2011: Motion by Bernfeld, second by Schmandt, passed on 6-1 vote with Day voting no.	
9. Update Fuel and Energy Market Costs Recovery Mechanism	Recover Test Year fuel-related costs in the energy charge and apply an energy adjustment in future years to account for future fluctuations in fuel-related and energy market costs.	Disagree – Rates are more transparent and GreenChoice® Program is easier to understand if fuel and energy discrete line items. For purposes of clarity, "Energy Charge" should be called "Fuel and Purchased Power Cost."	Disagree with AE and agree with RRA for the reasons stated by the RRA, with the caveat to remove the energy adjustment from Issues 7, 8, and 9. 10/20/ 2011: Motion by Fath, second by Day, passed on 7-0 vote.	
10. Apply Regulatory Charge	Add a regulatory charge to recover costs associated with transmission and ERCOT fees and remove these costs from the energy charge.	Concur as these charges are beyond AE's control.	Concur with AE. Also, by ordinance, funds received for this program must be spent on this program with annual reconciliation. 10/20/ 2011: Motion by Bernfeld, second by Webber, passed on 6-1 vote with Day voting no.	Disagree. There should not be separate surcharges on customers' bills. If this is a legitimate expense and if the level is correct, the expense should be treated like all other expenses and be included in the Energy Charge. Commissioner Day

Issue	Austin Energy Staff Recommendation[1]	Residential Rate Advisor	EUC Majority Position	EUC Minority Position(s)[2]
11. Apply Community Benefit Charge	Add a community benefit charge to recover costs associated with the Customer Assistance Program, service area lighting, and energy efficiency programs and remove these costs from the energy charge.	Concur as the entire community benefits from these programs. Change makes rates more transparent.	Concur with AE, but designate energy efficiency as "Energy Savings Fund." Also, by ordinance, funds received for this program must be spent on this program with annual reconciliation and a designated percentage must be allocated to low-income weatherization/energy efficiency. 10/20/ 2011: Motion by Webber, second by Smaha, passed on 6-1 vote with Day voting no. (see vote on Issue #3 regarding lighting at 100%)	Disagree. This should not be surcharged on bills. This is a legitimate expense and should be rolled into the Energy Charge like every other expense. To the extent there is a concern that the money will be used for other purposes, it can be collected in the Energy Charge but set aside in a dedicated account as is done for nuclear decommissioning expense. Singling this expense out by surcharging it is a poor idea and targets this expense. I doubt Council would like to see the $103 million transfer to the general fund appear as a surcharge on customers' bills. The same is true for the Community Benefit fund. It should not be singled out in this manner. Commissioner Day
12. Update Summer Rate Period	Shorten summer rate period from six (May – October) to four months (June – September) so that stronger pricing signals can be provided during the summer time period and to align with ERCOT.	Concur as this was one of my recommendations during the Rate Review Public Involvement Committee (PIC) process.	Concur with AE. 10/20/ 2011: Motion by Bernfeld, second by Fath, passed on 7-0 vote.	
13. Apply Residential Customer Charge	Raise the current residential customer charge from $6 to $15 and remove this portion of residential customer-related costs from the variable energy charge.	Concur as the need to contact customer service is not a function of electric delivery. During AE's Rate Review PIC meeting process, the residential representatives on the PIC recommended a $12 customer charge as part of their joint recommendations.	Concur with RRA on $12 customer charge with additional fixed charges recovered via line extension and hook-up fees and the remainder on a volumetric basis. 10/20/ 2011: Motion by Schmandt, second by Smaha, passed on 6-1 vote with Day voting no.	Disagree. The Customer Charge should be retained at the current $6 per month. Doubling it as recommended by the majority of the EUC over-collects actual customer costs and includes expenses that should be recovered based on usage. The proposed change to a high Customer Charge discourages

Issue	Austin Energy Staff Recommendation[1]	Residential Rate Advisor	EUC Majority Position	EUC Minority Position(s)[2]
			[In documentation received on 10/27/11 Fath requested her vote be reflected as no]	efficient consumption and prevents customers from affecting their bill based on their commitment to conserve and use electricity sparingly. In other words, it is backwards and sends incorrect pricing signals. AE has also padded the Customer Charge with items like uncollectibles which always have been and should continue to be collected from all customers based on usage. Worse, economic development costs have been hidden in the Customer Charge which is collected based on customer count so comes 90% from residential customers. Residential customers should not subsidize economic development expenses which benefit industrial and commercial classes. For years the PUCT has limited the Customer Charge to three items: meter reading, billing, and customer service. Commissioner Day joined by Commissioner Fath
14. Apply Residential Electric Delivery Charge	Move distribution costs from the energy charge to an electric delivery charge for residential customers set at $10 and remove this portion of residential distribution costs from the variable energy charge.	Partly Disagree – There is a cost of meter reading systems, meter drops, tree trimming, etc. that is unrelated to energy consumption. Therefore, consistent with the Joint Recommendations of the Residential PIC members, I agree with the $10 per month fixed electric delivery charge. However, there are other electric delivery costs that are driven by demand (a measure of	Concur with AE. 10/20/ 2011: Motion by Schmandt, second by Webber, passed on 4-3 vote with Day, Fath, and Shaw voting no.	Disagree. Council should reject a fixed Electric Delivery charge. Fixed charges should be avoided because they remove the usage pricing signals to conserve. Moreover, adoption of the fixed Delivery Charge will shift costs to small users and away from large users. The impact is to remove the incentive to conserve, and it will both punish and cause rate shock to those small users who do conserve.

Issue	Austin Energy Staff Recommendation[1]	Residential Rate Advisor	EUC Majority Position	EUC Minority Position(s)[2]
		consumption). I recommend adding a second electric delivery charge to be consistent with deregulated areas and removing all electric delivery charges from the energy charge. This change is consistent with AE's transparency and understandability principles. It also allows comparisons to be made with the deregulated market.		Front-loading costs associated with the delivery of electricity instead of collecting it based on usage does not send correct pricing signals. It shifts costs to low energy consumers to the advantage of the large and/or inefficient consumers. Under the current rate structure wires charges are collected in the Energy Charge and are based on usage, consistent with sending pricing signals that encourage conserving. Commissioners Fath, Shaw, Day
15. Implement Residential Inclining Block Tiered Rate Structure for Energy Charge	Expand existing residential inclining block rate structure from two tiers to five tiers to provide stronger conservation and energy efficiency pricing signals to the highest users in the residential customer class.	Concur – This will be one of the most complex rate designs in the country and, therefore, does not follow the AE design principle of "simple and understandable" rates. But it does follow AE's strategic goal of incentivizing energy efficiency. I believe more weight should be given to goals than principles and, therefore, this change is appropriate.	Concur with AE. 10/20/ 2011: Motion by Fath, second by Bernfeld, passed on 7-0 vote.	
16. Fund Customer Assistance Program	Fund the Customer Assistance Program with a Community Benefit Charge sub-component of $0.00065/kWh to all customers.	Disagree – Recommend a flat fee consistent with survey results for residential customers of $1/month. A $1 fee is simple to understand and transparent and therefore follows those principles. This will provide a stable funding source throughout the year, and will scale with the number of residential customers served by AE. Concur with the proposed funding	Concur with RRA. In addition, residential users above 2,500 kWh in a month should pay $3.00 that month. 10/20/ 2011: Motion by Schmandt, second by Webber, passed on 5-2 vote with Day and Fath voting no. [In a fax dated 10/26/11 Fath requested her vote be reflected as yes]	Disagree with the funding mechanism. This expense should be rolled into the Energy Charge as is done currently. It should not be surcharged as a discrete amount on bills. Commissioner Day

Issue	Austin Energy Staff Recommendation[1]	Residential Rate Advisor	EUC Majority Position	EUC Minority Position(s)[2]
		mechanism for non-residential customers. These recommendations are consistent with the joint recommendations by the Residential PIC members.		
17. Apply Commercial and Industrial Customer Charge	Apply customer charge at or near cost of service for commercial and industrial customers.	Concur	Concur with AE. 10/20/ 2011: Motion by Schmandt, second by Smaha, passed on a vote of 7-0.	
18. Apply Commercial and Industrial Electric Delivery Charge	Unbundle rates and apply an electric delivery charge on a $/kW basis at or near cost of service for all commercial and industrial customers.	Concur	Concur with AE. 10/20/ 2011: Motion by Webber, second by Smaha, passed on 6-1 vote with Day voting no.	
19. Apply Commercial and Industrial Demand Charge	Expand use of demand charges to all commercial and industrial customers and implement a three-year phase- in of demand-related charges (electric delivery and demand charge on a $/kW basis) for current non-demand customers.	Concur – This phased-in approach will reduce the rate shock on these customers as they transition to demand rates.	Concur with AE, but demand charges are implemented only at 20 kW or higher. 10/20/ 2011: Motion by Fath, second by Schmandt, passed on 7-0 vote.	
20. Apply Power Factor Adjustment for Commercial and Industrial Customers	Apply a power factor adjustment of 90% to all commercial and industrial customers with the exception of current non-demand customers during the phase-in period and customers with demand less than 10 kW.	Concur – Austin Energy is required by ERCOT to maintain a power factor of 97% so this is a good first step. The costs for AE to correct power factor to 97% are currently placed on all customers. Following this change, AE should continue to monitor the cost to correct the distribution power factor and determine if a greater adjustment is warranted.	Concur with AE, but demand charges are implemented only at 20 kW or higher. 10/20/ 2011: Motion by Fath, second by Webber, passed on 7-0 vote.	
21. Implement Time-	Implement a time-of-use	Concur – Austin Energy should	Concur with AE. This is not perfect,	

Issue	Austin Energy Staff Recommendation[1]	Residential Rate Advisor	EUC Majority Position	EUC Minority Position(s)[2]
of-Use Alternative Rates	alternative rate for residential customers with a 2,000 customer enrollment cap and implement time-of-use rates for each commercial and industrial customer class with an enrollment cap of the higher of 10% of the customers in the class or 10 customers for each class.	experiment with time-of-use (TOU) rates. The rates as designed will not harm customers not on the program, and will reward customers on the program for changes in behavior. Suggest preference be given to enrollment of residential customers with solar PV and/or an electric vehicle to ensure AE understands the impact these customers can have on future rates and customer demand profiles.	but adequate for a pilot. Final decisions should await results from this pilot and Pecan Street Project experiments. 10/20/ 2011: Motion by Bernfeld, second by Fath, passed on 7-0 vote.	
22. Update Renewable Energy Alternative Rate (GreenChoice®)	Maintain the existing GreenChoice alternative rate for customers who wish to receive a 100% renewable energy product price that is locked in for an extended term (e.g., 10 years). Use a bundled portfolio approach that prorates the GreenChoice adjustment to account for system-wide renewables.	Disagree – Adjustment should continue to be shown as offsetting fuel charge. Program as described is unnecessarily complex and confusing. The recommended change to the portfolio approach is fine, but the overall program will be better accepted if credit is given for the fuel charge. If system level renewables were included as part of the fuel and energy charge (as the name implies), the entire program is simplified. That change achieves the AE goal, and meets AE's transparency and "simple and understandable" principles.	Concur with RRA and disagree with AE. 10/20/ 2011: Motion by Webber, second by Smaha, passed on 7-0 vote.	
23. Residential Solar Rate (replaces the net metering rate proposal)	Credit all residential solar PV distributed generation at the annually re-calculated "Value of Solar Rate" [12.8 cents/kWh (2011)] and charge residential customers the applicable charges for the standard rate for all	Concur – With the concept, disagree on price suggested by AE as too high, Recommend price between 8 and 9.5 cents/kWh, consistent with the hourly production potential applied to the AE recommended	Austin Energy should offer gross metering and net metering plans to be selected by the customer with net metering customers charged the full fixed cost without subsidies and the rates to be developed and proposed by AE.	

Issue	Austin Energy Staff Recommendation[1]	Residential Rate Advisor	EUC Majority Position	EUC Minority Position(s)[2]
	consumption.	time of use rates. I suggest moving to a solar rate which considers the hourly value of energy as expeditiously as possible. At rate of 8 to 9.5 cents/kWh solar customers are fully compensated for the value of generation in the AE Load Zone for 2011 or the proposed TOU rates. Solar customers are also receiving rebates of up to 80% of the cost of solar installations. Providing additional compensation, as AE recommends, to solar customers beyond the above 180% is unfair to non-solar customers. RRA is indifferent as to the applicability of net or gross metering. Key issue is the price being paid and how "wires" charges are collected from solar customers. Based on my analysis, beyond the "wires" charges, non-solar customers should be indifferent on the selection of gross or net metering.	10/20/ 2011: Motion by Schmandt second by Smaha, passed on 7-0 vote.	
24. Update Thermal Energy Rate Option	Update existing thermal storage rate option to support customer investment in this technology.	Concur – As transmission lines are completed to wind areas in 2014, off-peak prices are expected to fall dramatically and significant savings may be available for devices which can store energy and displace on-peak usage.	Concur with AE. 10/20/ 2011: Motion by Bernfeld, second by Schmandt passed on 7-0 vote.	
25. Plan for Pricing Pilot Projects with Pecan Street	Austin Energy will work with the Pecan Street Project to pilot new rates for customers. Any pilot	Concur – Suggest that the Austin City Council be very liberal on approving pilot projects with a	Concur with AE and RRA.	

Issue	Austin Energy Staff Recommendation[1]	Residential Rate Advisor	EUC Majority Position	EUC Minority Position(s)[2]
Project	project implemented must first be approved by the Austin City Council.	maximum participation rate of the lesser of 2,500 customers or 5 megawatts (MW), and less than two years in duration.	10/20/ 2011: Motion by Bernfeld, second by Smaha passed on 7-0 vote.	
26. Plan for Future Pricing of Long-Term Contract Customers	Move long-term contract customers to cost of service-based rates upon expiration of their contracts in 2015.	Concur on move to cost of service-based rates, and further suggest future long-term contract customers be tied to a specific fuel or power purchase contract which hedges price risk impact on other customers.	Concur with RRA. 10/20/ 2011: Motion by Bernfeld, second by Webber passed on 7-0 vote.	
27. Adopt Residential Option "A"	No position on this issue at this time.	Concur	Request that AE present to the EUC, in addition to its own recommendations, Options A and B, as modified by the recommendations of the EUC, prior to presenting to the Austin City Council. 10/20/ 2011: Motion by Schmandt, second by Smaha passed on 7-0 vote. Subject to review of the presentation made by AE pursuant to the prior motion, recommend Option A with a stated goal to adopt Option B within five years. 10/20/ 2011: Motion by Schmandt, second by Smaha, passed on 4-3 vote with Day, Fath and Shaw voting no.	Disagree. Option A should be rejected for several reasons. First, it should be rejected because the rates are designed using the AED allocation method which over-allocates to the residential and small commercial classes. Further, it charges an Electric Delivery charge that 3 commissioners oppose charging as a fixed charge. It charges a Customer Charge that is too high. The Energy Charges for the third, fourth, and fifth tiers of the rate are not high enough. This failure to apply high enough inclining block rates to high consumption in the 1001-1500 kWh block, the 1501-2500 kWh block, and the over 2,500 kWh block, large volume users receive incorrect pricing signals which are not consistent with encouraging conservation. Such pricing undermines the goal of promoting conservation and encourage high use such as electric heating. This is opposite of how inclining blocks

Issue	Austin Energy Staff Recommendation[1]	Residential Rate Advisor	EUC Majority Position	EUC Minority Position(s)[2]
				should work. The rates in Option A's 3 highest tiers are lower than the per kWh charge in those same blocks under proposed Option B. Commissioners Fath, Shaw, Day Two Commissioners voted initially to support adoption of Option B because the energy pricing in tiers 3, 4, 5 is consistent with inclining block structure principles that the higher the usage, the higher the per kWh charge should be to send correct pricing signals and encourage conservation. However, as addressed below in Commissioner Fath's separate statement, she has changed her vote. The rationale in favor of Option B is that the increased Customer Charge and a Delivery Charge is more moderate than other rate options presented. Commissioner Shaw One commissioner opposes all the rate options presented by AE due to opposition to the level of the rate increase; the structural changes to impose a fixed Electric Delivery charge instead of collecting wires charges through the Energy Charge as currently done; opposition to an increase in the Customer Charge; opposition to the production cost allocator selected [AED]. The current rate structure should be

Issue	Austin Energy Staff Recommendation[1]	Residential Rate Advisor	EUC Majority Position	EUC Minority Position(s)[2]
				retained. Commissioner Day Separate Statement of Commissioner Fath: As detailed in items 1, 13, 17, Commissioner Fath has joined Commissioner Day on several issues. Upon reflection, I now oppose all four of AE's rate options because they are based on AED rather than BIP and do not reflect the minority recommendations. As promised in AE's denial of my one and only Information Request (CMFath 1), I now request AE to prepare an alternative residential rate design and bill impacts based on the following: BIP methodology rather than AED; Add back $35 million of off-system sales revenue; Add $9.7 million revenue previously removed by AE's weather normalization adjustment; Subtract whatever amount reduces debt service coverage from 2.24 times to 2 times; Retain current Customer Charge of $6; No Electric Delivery charge; Retain the 4 small charges at the end of AE's four rate options; Use 5 steep tiers except use a

Issue	Austin Energy Staff Recommendation[1]	Residential Rate Advisor	EUC Majority Position	EUC Minority Position(s)[2]
				Bundled Charge for the first 150 kWh [will replace my minimum bill and alleviate my concerns over 15,000 or more unoccupied dwellings]. Commissioner Fath

MEMORANDUM

TO: Mayor and City Council

CC: Marc A. Ott, City Manager

FROM: Toye Goodson Collins, Staff Liaison to the Electric Utility Commission

DATE: December 16, 2011

SUBJECT: Recommendation by Electric Utility Commission regarding community solar energy

---

As requested by the Electric Utility Commission (EUC), I am forwarding to you a recommendation approved by them at their last meeting regarding community solar energy.

Their recommendation was made in reference to Council Resolution No. 20110804-027 directing staff to provide a report within 90 days on the current strategy to reach the adopted goal of 200 MW of solar generation by 2020, with input from the EUC and the Resource Management Commission (RMC). Austin Energy submitted the report, as required, on November 2 with some input from the EUC. (The RMC had no additional recommendations.) Due to time constraints at the EUC's regular meeting in October, they continued discussion of the resolution at their November meeting and made the following recommendation:

> The Electric Utility Commission recommends that the City Council instruct the City Manager to implement a program that allows the operation of citizen-owned community solar inside Austin Energy's service territory on a basis that recovers the full cost of service to the utility.

The motion, by Chair Phillip Schmandt and seconded by Commissioner Gary "Bernie" Bernfeld, passed on a 5-0-1 vote with Vice Chair Linda Shaw abstaining.

A Resolution by the Electric Utility Commission
December 19, 2011

WHEREAS, maintaining the long-term financial strength and sustainability of Austin Energy is a critical priority of the City of Austin, and

WHEREAS, Austin Energy's base electric charges were last adjusted in 1994, and

WHEREAS, over the last 17 years Austin Energy has experienced significant increases in costs of materials and labor, system growth, and expansion of programs; and

WHEREAS, the Electric Utility Commission and Austin Energy's Public Involvement Committee held a lengthy series of public meetings and hearings with customer and stakeholder groups from January 2011 through October 2011 and received hundreds of public comments from a specially created website, as authorized by Council Resolution No. 20100930-026; and

WHEREAS, the Electric Utility Commission performed a thorough and complete review of information submitted by customers and stakeholder groups, and provided detailed feedback to Austin Energy to achieve a fair, just, and reasonable and equitably balanced rate proposal; and

WHEREAS, Austin Energy incorporated most of the Electric Utility Commission's majority comments in its proposed rates, which were submitted to the City Council on December 14, 2011; and

WHEREAS, the recommendations of the Residential Rate Advisor were largely incorporated in the proposed made to Council by Austin Energy; and

WHEREAS, on December 14, 2011, Austin Energy reported to the City Council that Austin Energy expects its expenses to exceed its collected revenue by $126 million during 2012 without a rate increase that meets Austin Energy's cost of service; and

WHEREAS, $24 million of the revenue shortfall is intended to replenish Austin Energy's Operating Fund, which has been depleted to meet operating expenses from $267 million in 2007 to $38 million in 2012, averaging about $46 million per year; and

WHEREAS, $102 million of the 2012 revenue shortfall occur in the utility's operating budget, which implies an average revenue shortfall of about $2 million per week during 2012, or $279,452 for each day in 2012 without a rate increase that meets the utility's cost of service;

THEREFORE, BE IT RESOLVED,

The Electric Utility Commission advises the City Council to complete its rate review and approval process as quickly as possible to mitigate the impact of Austin Energy's revenue shortfall on utility operations.

This resolution was adopted on December 19, 2011 by a vote of 4-2-1 with Chair Schmandt and Commissioners Bernfeld, Smaha, and Webber voting “yes,” Commissioners Day and Shaw voting “no,” and Commissioner Fath abstaining.

RESOLUTION NO. 20110310-003

WHEREAS, Section 552.133 of the Texas Government Code provides an exception to the Texas Public Information Act for documents containing certain information relating to Austin Energy that the City Council determines in good faith to be "competitive" in nature, that is, which would, if disclosed, give advantage to competitors in the electric market; and

WHEREAS, on December 1, 2005, the City Council adopted Resolution No. 20051201-002, which among other things set forth those categories of information the council deemed competitive under Section 552.133 and also imposed certain reporting requirements upon the City Manager regarding Austin Energy; and

WHEREAS, there are generally increased efforts by governmental bodies that contemplate increasing the transparency of municipal utility data and required information reporting, such as the U.S. Federal Energy Regulatory Commission's Docket No. RM10-12-000 and the Public Utility Commission of Texas' efforts to address disclosure of generator data; and

WHEREAS, Austin City Council is the public power utility governing body of Austin Energy and has exclusive authority, per Section 552.133(a) of the Texas Government Code, to determine what information is a confidential "competitive matter" that can be withheld from the customer-owners of Austin Energy; and

WHEREAS, the principles of open government and public disclosure require that any exceptions to these principles be allowed only to the extent necessary to accomplish the goal of maintaining the electric utility's ability to

operate in the public's best interest and that any exceptions be limited in duration and mitigated to the fullest extent possible by other means of public reporting; and

WHEREAS, the City Council strongly believes in public process and open government and, through transparency hearings before the Electric Utility Commission, has received significant input from a diverse cross-section of citizens who believe that the interests of the community would be best served by an open and transparent release of utility information; **NOW, THEREFORE,**

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:

1. **AUSTIN ENERGY INFORMATION IS PRESUMED TO BE PUBLIC**: All electric utility information shall be presumed to be open to the public unless a specific exemption is made by City Council or is provided by a law other than Texas Government Code §551.133.

2. **EXCEPTIONS TO DISCLOSURE**: The City Council, in the exercise of good faith, and subject to paragraphs 3 and 4 below, hereby determines that the information listed on Exhibit A to this resolution constitutes "competitive matters" because it is related to the competitive activity of Austin Energy, and that, for the reasons including but not limited to those set out as to each matter, would provide advantage to competitors of Austin Energy if disclosed. The City Council authorizes the City Manager to determine which documents and other information are reasonably related to the matters set forth in Exhibit A and to

seek to preserve their confidentiality through the procedures provided for by the Texas Public Information Act.

3. **REGULATORY REPORTING REQUIREMENTS**: Notwithstanding any provision of this resolution, information required to be reported to any governmental authority or ERCOT on a non-confidential basis shall not be deemed competitive and shall be made publically accessible by the City Manager contemporaneously with its filing with the governmental authority. Information filed on a confidential basis shall be made publically accessible by the City Manager when it ceases to be held on a confidential basis by the governmental authority.

4. **INDUSTRY PRACTICE**: The City Council is designating certain information as competitive only as necessary to establish a level playing field between Austin Energy and its competitors in the electric market. In some cases, privately-owned utilities or retail providers may file information with governmental authorities under filing requirements that do not apply to municipally-owned utilities such as Austin Energy. Therefore, even if information falls within a category designated as competitive in this resolution, the City Manager shall disclose it at comparable times and detail as do privately-owned utilities or retail providers in the ERCOT market. For example, such requirements may include material contract reporting required by the Securities and Exchange Commission (SEC), rate back-up information required by the Public Utility Commission of Texas (PUCT), and other financial reporting required by the SEC.

5. **CASE-BY-CASE DETERMINATION**: Before seeking a determination from the Attorney General, the City Manager shall review each request for information that concerns a competitive matter to determine whether the specific information requested would not in fact materially harm the competitive position of the electric utility if disclosed, and, except for customer electric consumption, credit, and personal information, the City Manager shall release such information if it is determined the no material harm would result in the specific circumstance. In making the determination, the City Manager shall begin with a presumption that the information should be made public. If denying a request, the City Manager shall state the specific reasons for the denial and shall make a report of request denials to the Electric Utility Commission on a monthly basis. The Electric Utility Commission may make recommendations to the City Council regarding the merits of any denial and the contents of this resolution.

6. **SUNSET REVIEW:** The Electric Utility Commission shall review the contents of Exhibit A prior to expiration to determine whether amendments should be made to conform to industry or regulatory changes, and shall forward any recommended amendments to the City Council. This resolution shall expire two years after its adoption absent further action by Council.

7. **PUBLICATION AND AVAILABILITY OF INFORMATION**: The City Manager shall establish a standardized reporting process that makes information regarding

the finances, operations, and plans of the electric utility available to the public both on-line and on paper, including:

a. **Standardized Reports**: The City Manager shall publish an annual report as provided in Exhibit B and publish the information set forth in Exhibit C as it may arise.

b. **Convenient Public Access**: The City Manager shall:

   i. compile and provide convenient public access to public financial and operational information and information reported to governmental authorities, including internet access by site index, word search, and public information portal;

   ii. continue efforts to identify, compile, and make readily available information that may be of recurrent interest to the public;

   iii. maintain on-line access to all current and historical regulatory, EUC, annual, and monthly reports at a single, readily-accessible location on Austin Energy's website, along with contact information for assistance in locating information;

   iv. maintain website links to regulatory agencies where information filed by Austin Energy can be found;

   v. make information available in a timely manner for public review before any public discussion at Commission or Council meetings.

c. **Information Requests**: The City Manager shall:

i. implement a formal open records process at the electric utility so that all information is provided under a standard and documented procedure within the time limits required by the Texas Public Information Act;

ii. provide on-line access to current and prior information requests concerning operational or financial matters of general interest, including the request and all documents provided in response or the denial response as applicable;

iii. provide a dedicated resource to maintain the reporting required by this resolution, as well as provide assistance to citizens or customers in locating facts and identifying sources of information that may be responsive to the citizen's or customer's inquiry.

ADOPTED: March 10, 2011 **ATTEST:** Shirley A. Gentry

Shirley A. Gentry
City Clerk

EXHIBIT A
COMPETITIVE MATTERS

1. **Fuel and Wholesale Power Transactions**:

    a. Contract terms and prices for fuel (non-aggregated).
    b. Contract terms and prices for wholesale energy, capacity, or ancillary services purchases or sales (non-aggregated).
    c. Market intelligence, research, forecasts, and strategies pertaining to future fuel and wholesale power prices and purchases.
    d. Quantities of fuel in storage or reserve or under contract or option to purchase.
    e. Bids and offers for the purchase or sale of wholesale power
    f. Forecasts regarding fuel or purchase power needs.
    g. Fuel hedging instruments and transactions (including but not limited to swaps, put options, call options, and swaptions), quantities hedged, hedging price positions, and hedging plans and strategies.

    Bilateral contracts for fuel and wholesale purchase power shall be available to the public 12 months after expiration of the contract. Information under (a) and (b) will be released sooner if required by regulatory requirements. Spot market purchase and sale prices shall be available on a historical basis 12 months after the date of purchase or sale. Information listed for (d) and (e) shall be available12 months after the storage or transaction date, or sooner if required by regulatory requirements. Information listed for (f) shall be available upon expiration of the period covered by the forecast. Information under (g) shall be available 12 months after settlement of the instruments, transactions, or positions in question, or 12 months after expiration of the period covered by the plans or strategies contained in the document in question.

2. **Power Generation**:

    a. Unit-specific production cost information, heat rates, variable and fixed O&M costs, high and low capacity limits, ramp rates, minimum up and down times, start-up costs and related information.
    b. Planned maintenance and outage schedules.
    c. Land acquisitions for potential renewable energy generation facilities.

    Information under (b) shall be available after the outage date. Transactions under (c) shall be available no later than public announcement of intent to construct the facility.

3. **Customer Information:**

    a. All electric customer information contained in the Austin Energy customer information system, including but not limited to customer names, addresses,

other personally identifying information such as driver license and social security numbers, and credit and payment history.
b. Electric customer consumption information.
c. The identity of customers participating in Austin Energy funded programs.
d. The identity of large or "key" accounts.
e. Non-aggregated survey or study information regarding retail customers.
f. Questionnaire, study, or survey response information that allows a respondent to be personally identified.
g. Retail market and customer research data from secondary sources.

4. **Certain Employee Information**:

a. Information contained in the Austin Energy Talent Management System with respect to current employees and which consists of existing skills and qualifications, analysis of existing skills and qualifications, and recommended or desired job placement within the organization. This exemption does not include employee salaries or benefits.

5. **District Cooling**:

a. Contracts and pricing information for district cooling (chilled water) service.
b. System-specific production cost information, including variable and fixed O&M costs.

Information under (a) shall be available after the expiration of the contract in question. The information under (b) shall be made available 24 months from the date in question.

EXHIBIT B
AUSTIN ENERGY ANNUAL PERFORMANCE REPORT

Austin Energy shall publish a standard annual performance report to make information about Austin Energy readily available to the public, and also to provide data to indicate Austin energy's performance in meeting Council-established goals, including climate protection. The annual performance report shall be published both on-line and on paper. The report shall include categories such as:

- Annual and monthly description of customer base, system load, generation facilities, purchase power and energy efficiency programs
- Breakdown of revenue, expenditures, and fuel costs
- Average rates and bills for customer classes and residential energy burden
- Performance measures of the economic and environmental impacts of investments
- Customer service performance and targets and goals for low-income programs
- Economic impacts, including jobs creation, of demand-side management and distributed generation programs

The format and detailed content of the fiscal year 2010 report shall be determined by Austin Energy with input from the public and approved by the Electric Utility Commission (EUC) in June 2011. Austin Energy will thereafter update the report annually and provide additional information as may be approved by the EUC in February of each calendar year. Each year, Austin Energy shall issue its preliminary annual report not less than ten days before the EUC's June meeting for public review and comment, and shall issue a final report for review and approval at the EUC's July meeting.

EXHIBIT C
INFORMATION RELATING TO GENERATION RESOURCE ACQUISITIONS

If the City Manager seeks approval from the City Council of a purchase power contract, resource construction project, or plant purchase in excess of 10 megawatts, the following information shall always be made public with respect to such acquisition:

- A description of the type of resource; e.g., wind, solar, gas combined cycle, etc.
- Generation capacity(total megawatts)
- Expected technology and cost discussion – fixed, variable, and expected cost range
- Discussion of how the resource fits into the portfolio; base load, peaking, or intermittent
- Expected date for energy to be available
- Expected timing and impact to resource plan and affordability goals
- Update on existing pending resource acquisitions
- Current energy efficiency offsets achieved since 2007
- Current renewable energy split between Green Choice & fuel charge
- Update and status of federal or state environmental legislation
- Overview of resource(s) being sought
- Discussion and cost for possible alternatives to the acquisition
- Impact on affordability and Resource Plan goals – Renewable and energy efficiency targets, carbon, affordability, and bill impacts

For resources acquired by competitive solicitation, the information set forth above shall be made available prior to the issuance of the solicitation. If a competitive solicitation is not issued prior to the acquisition, the information shall be made available 30 days prior to formal public discussion of the acquisition. All resource acquisitions above 10MW shall, at a minimum, be presented for approval before the Electric Utility Commission (and, with respect to renewable resources, the Resource Management Commission), and shall not be placed on a City Council agenda for action unless the matter has been presented at a previous City Council meeting for briefing and public comment.

Austin Energy
Annual Performance Report

Expanded Report
Year Ended September 30, 2010

Austin Energy Mission:
Deliver clean, affordable, reliable energy and excellent customer service.

This annual report provides operational data that reports on and demonstrates achievement and support for all elements of Austin Energy's mission statement and its strategic goals and objectives. Our goal is to keep our City Council, Electric Utility Commission, the leadership of our community, our customers and our employees informed on our operations in timely fashion through comprehensive reporting.

Table of Contents

Clean

Energy efficiency is the least expensive response to load growth at an average cost of $350/KW versus $750-$850/KW for natural gas-fueled generating units. Austin Energy has set a goal of reducing peak demand by 800 MW between 2007 and 2020. Austin Energy conservation programs will be required to average about 56.4 MW of reduced peak demand per year through 2020.

Peak demand savings by all conservation programs in each of the last five years plus the cumulative percentage since 2007 of the 800MW goal:

	Program	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Peak	Residential	24.2	25.2	25.3	19.4	18.9
Demand	Commercial	18.4	24.3	19.6	19.6	14.8
Reduction	Green Building	14.8	15.9	19.2	13.4	7.5
(MW)	Total	57.4	65.4	64.1	52.4	41.2
% of 800 MW			8%	16%	23%	28%

Summary rebate information for residential and commercial, including total rebate dollars, average number of rebates and cost per KW and kWh, both with and without Green Building peak demand reductions:

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	Total
Residential						
Rebate ($)	$6,856,134	$6,452,787	$7,684,024	$8,480,574	$9,718,242	$39,191,761
# rebates	30,596	32,375	44,177	37,911	37,267	182,326
Avg. Rebate	$224	$199	$174	$224	$261	$215
$/kW	$283	$256	$304	$437	$515	$347
$/kW w GB	$202	$177	$223	$341	$418	$256
$/kWh	$0.035	$0.026	$0.018	$0.022	$0.035	$0.025
$/kWh w GB	$0.023	$0.017	$0.014	$0.018	$0.028	$0.019
Commercial						
Rebate ($)	$3,291,862	$5,054,012	$4,080,800	$3,396,259	$4,017,299	$19,840,231
# rebates	2,194	3,330	2,527	1,572	1,629	11,252
Avg. Rebate	$1,500	$1,518	$1,615	$2,160	$2,466	$1,763
$/kW	$178	$208	$207	$173	$270	$205
$/kW w GB	$141	$175	$137	$124	$224	$156
$/kWh	$0.007	$0.007	$0.009	$0.010	$0.009	$0.008
$/kWh w GB	$0.005	$0.006	$0.005	$0.006	$0.007	$0.005
Total Rebate ($)	$10,147,996	$11,506,799	$11,764,824	$11,876,832	$13,735,541	$59,031,993

*Rebate totals for FY 2006 and 2007 exclude hybrid vehicles.
*kW shows one year savings. kWh is based on a 10-year life.

Energy Efficiency Program Expenditures:

CONSERVATION REBATES AND INCENTIVES FUND
Fund Summary

ELECTRIC REBATES AND INCENTIVES ($)	2005-06 ACTUAL	2006-07 ACTUAL	2007-08 ACTUAL	2008-09 ACTUAL	2009-10 ACTUAL
Free Weatherization (Actual)	797,134	175,304	757,545	752,132	513,909
Multi-family Rebates	291,108	629,560	1,461,516	1,143,984	2,098,407
Loan Options	299,224	277,523	233,380	228,712	86,029
Rebate Options	2,640,260	2,293,274	3,201,580	4,056,167	5,469,084
Clothes Washer Rebates	27,250	44,100	50,495	50,000	56,600
Duct Diagnostic/Sealing Rebates	197,543	166,103	80,654	56,918	37,490
Nexus-Home Audit CD	47,500	53,125	56,123	60,994	59,051
Compact Flourescent Distribution	70,895	202,709	101,265	427,230	--
Loan Star Debt Service	--	--	--	--	790
Commercial-Existing Construction	2,053,351	3,579,211	3,193,100	2,706,843	2,845,133
Small Businesses	711,118	498,100	666,400	248,639	963,957
Green Building	6,000	--	--	--	--
Commercial Power Partner	417,393	945,451	221,300	300,880	205,923
Commercial Miser Program	90,000	--	--	139,897	1,496
Commercial Finance Program	--	--	--	--	--
Solar rebates	2,796,354	2,561,892	4,198,494	6,710,009	3,910,771
Refrigerator Recycle program	473,986	391,680	515,186	517,615	508,294
Multi-Family Duct Sealing	1,019,024	598,573	125,800	509,055	72,978
Residential Power Partner-Aggressive	991,613	1,586,377	1,095,913	670,259	807,111
Load Coop	597	34,459	4,567	7,508	9,289
Thermal Energy Storage	14,000	31,250	--	--	--
Hybrid Vehicles	692,542	762,622	--	--	--
Home Performance w Energy Star	--	--	--	--	--
Appliance Efficiency Program	--	--	--	--	--
Air Conditioning Rebates	--	--	--	--	--
GRAND TOTAL	**$13,636,892**	**$14,831,313**	**$15,963,318**	**$18,586,841**	**$17,646,312**
% change over prior year	-8.8%	8.8%	7.6%	16.4%	-5.1%
Total w/o solar rebates	$10,840,538	$12,269,421	$11,764,824	$11,876,832	$13,735,541

Energy Efficiency Program Expenditures and Energy/Demand Savings for FY 10:

Residential Efficiency	Incentives	Energy	Demand (MW)		
		mWh	Actual	Goal	% Goal
Appliance Efficiency	$ 2,363,454	5,353	4.15	2.97	140%
H P Energy Star - Rebate	$ 3,164,680	5,808	5.29	4.22	125%
Home Performance ES - Loan	$ 86,029	215	0.20	0.38	52%
Free Weatherization	$ 513,909	498	0.43	0.97	45%
Multi-Family	$ 2,135,897	13,231	4.48	2.68	167%
Clothes Washer Rebates	$ 56,600	296	0.05	0.02	257%
Refrigeration Recycling	$ 508,294	2,530	0.66	0.72	91%
Power Partner & Cycle Saver	$ 807,111	57	3.60	5.32	68%
Subtotal Res.	$ 9,635,975	27,990	18.86	17.28	109%
Commercial Energy Management					
Commercial Rebate & ILA	$ 2,845,133	37,126	10.00	8.92	112%
Small Business Light&Bonus	$ 963,957	5,311	1.94	2.50	77%
Municipal	$ 790	1,802	0.37	1.20	31%
Power Partner	$ 205,923	8	0.60	0.72	84%
Load Coop	$ 9,289	5	1.97	0.75	262%
Engineering Support & TES	$ 72,978	0	0.01	5.20	0%
Commercial Smart Vendor	$ 1,496	137	0.02	0.05	40%
Subtotal Comm.	$ 4,099,566	44,390	14.90	19.3	77%
Green Building					
Residential		1,082	0.60	0.58	103%
Residential Energy Code		5,137	3.16	3.31	95%
Multi-Family		641	0.50	2.38	21%
Multi-Family Energy Code		281	0.13	0.72	18%
Commercial		5,299	1.65	4.76	35%
Commercial Energy Code		4,138	1.42	4.40	32%
Subtotal GB		16,577	7.47	16	46%
Total DSM	$ 13,735,541	88,957	41.23	52.8	78%

Austin Energy Grants Activity:

Grant Name	Grantor	Grant Award	Term
Central Texas Clean Cities CM624	State Energy Conservation Office	$23,500	02/06/2006 - 12/31/2006
Central Texas Clean Cities CM724	State Energy Conservation Office	$15,000	07/02/2007 - 08/31/2008
Solar For Schools	State Energy Conservation Office	$100,000	04/12/2005 - 03/31/2007
Texas Solar For Schools	State Energy Conservation Office	$100,000	02/06/2008 - 01/01/2010
Central Texas Clean Cities - RDS	Research and Development Solutions	$42,500	03/30/2007 - 09/30/2009
Energy Star Appliance Replacement/Recycle Program	State Energy Conservation Office	$94,636	07/31/2007 - 05/31/2009
Energy Star Appliance Replacement/Recycle Program	Texas Commission on Environmental Quality	$318,000	04/28/2008 - 08/31/2009
Solar City Partnership	Department of Energy	$186,930	09/15/2007 - 03/15/2011
Smart Meters and Remote Technology	State Energy Conservation Office	$15,000	05/01/2007 - 08/31/2007
Central Texas Clean Cities CM913	State Energy Conservation Office	$30,000	12/10/2008 - 08/31/2009
USB Soy Biodiesel Program	Osborn & Barr Communications, Inc.	$17,550	05/08/2009 - 09/30/2009
Propane Lawn Equipment Project	Propane Education and Research Council, Inc.	$127,000	10/01/2008 - 12/31/2010
Best Practices for Data Center Energy Efficiency	State Energy Conservation Office	$70,000	06/16/2009 - 10/31/2010
ARRA - Weatherization	Texas Department of Housing & Community Affairs	$8,090,874	09/01/2009 - 12/31/2011
ARRA - EECBG	Department of Energy	$7,492,700	12/28/2009 - 12/27/2012
Central Texas Clean Cities - LTI	Leonardo Technologies, Inc.	$72,500	11/16/2009 - 10/31/2011
ARRA - Clean Energy Accelerator/Better Buildings	Department of Energy	$10,000,000	05/24/2010 - 05/23/2013
ARRA- Solar Curriculum Development & School Demo	Department of Energy	$450,000	01/01/2010 - 03/31/2012
ARRA - Propane Vehicles/Infrastructure	Railroad Commission of Texas	$35,000	07/15/2010 - 01/31/2014
		$27,281,190	

Renewable Energy

Austin Energy has set a goal that 35% of energy delivered to customers will come from renewable resources by 2020. In addition, the renewables portfolio will include 200 MW of solar capacity. Austin Energy GreenChoice has led 850 utility-sponsored green power programs in sales every year since 2002.

Renewable energy production as a percentage of the total annual energy use by Austin Energy customers and cumulative installed solar capacity achieved by the Austin Energy Solar Program:

Measure	Target	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Renewable Energy Resources	35%	6%	5.80%	6.6%	10%	10%
Solar Generation Capacity (Solar for Schools, municipal, and rebates)	200 MW	1.5 MW	2.1 MW	3.1 MW	4.7 MW	6 MW

Solar Program total dollars spent annually:

Fiscal Year	Solar for Schools (O&M Fund as of 2008)	Municipal Solar (CIP Fund)	Rebates (Rebate Fund)	Total Dollars Spent on Solar
FY 2006	$386,261.12	$0.0	$2,796,354.00	$3,182,615.12
FY 2007	$121,855.19	$43,147.76	$2,561,892.00	$2,726,894.95
FY 2008	$58,173.60	$534,670.65	$4,198,494.00	$4,791,338.25
FY 2009	$73,501.54	$521,494.67	$6,710,009.00	$7,305,005.21
FY 2010	$68,714.14	$780,108.38	$3,910,770.75	$4,759,593.27

*****Solar funding comes from three different categories as indicated in the table. In FY 2010, 212 residential customers and 11 commercial customers received rebates.

Solar Rebate Program:

Solar Rebate Program	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Residential					
Rebate Dollars	$2,074,100.64	$1,751,101.43	$2,392,273.22	$ 4,615,224.82	$3,131,799.28
# Rebates	162	137	185	288	212
kW at Program Test Conditions (PTC)	424	357	483	946	828
Avg. Rebate	$12,803.09	$12,781.76	$12,931.21	$16,025.09	$14,772.64
Avg. System Size kW	2.62	2.61	2.61	3.28	3.91
$/kW	$4,891.63	$4,906.02	$4,950.98	$4,878.49	$3,782.11
Commercial					
Rebate Dollars	$305,206.49	$700,478.59	$1,387,029.00	$2,086,482.78	$560,048.19
# Rebates	4	11	23	37	11
kW at Program Test Conditions (PTC)	54	150	270	417	115
Avg. Rebate	$76,301.62	$63,679.87	$60,305.61	$56,391.43	$50,913.47
Avg. System Size kW	13.50	13.62	11.74	11.27	10.47
$/kW	$5,653.90	$4,673.91	$5,134.87	$5,002.90	$4,863.91
Solar Water Heating					
Rebate Dollars	N/A	$1,900.00	$30,000.00	$61,500.00	$67,500.00
# Rebates	N/A	3	16	33	35
kW at Program Test Conditions (PTC)	N/A	2.0	10.4	21.5	22.8
Avg. Rebate	N/A	$633.33	$1,875.00	$1,863.64	$1,928.57
Avg. System Size kW	N/A	0.65	0.65	0.65	0.65
$/kW	N/A	$974.36	$2,884.62	$2,867.13	$2,967.03
Rebates Processed	$2,379,307.13	$2,453,480.02	$3,809,302.22	$6,763,207.60	$3,759,347.47
Processed in Prior Period (Timing Difference)	*$417,046.87	*$108,411.98	*$389,191.78	*($53,198.60)	*$151,423.53
Total	$2,796,354	$2,561,892	$4,198,494	$6,710,009	$3,910,771

*Under/(over)

Austin Energy expanded its wind portfolio by 165 MW in December 2008. During FY 2009-2010, about 10% of the power delivered from Austin Energy to its customers came from renewable resources, or 1.245 billion kWh. Of that total for FY 2010, about 69% was paid for by GreenChoice® participants with the remaining cost (31%) recovered through the fuel charge.

- **Total renewable energy purchased annually**
- **kWh paid for by GreenChoice® subscribers**
- **kWh recovered through the fuel charge**

Measure	kWh	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Renewable Purchases	kWh	662,745,030	649,266,500	797,480,831	1,279,082,866	1,245,230,733
Green Choice Sales	kWh	606,206,182	634,964,958	730,868,214	828,592,825	860,832,289
Renewable Energy to Fuel Charge	kWh	54,538,848	14,301,542	66,162,617	450,490,041	382,466,444

Renewable Energy Purchases:

Purchase Power Agreements						
Agreement	Type	Capacity MW	Term (years)	Duration	Expiration	Location
FPL - King Mountain	Wind	76.7	10	2001-2011	8/31/2011	West Texas
LCRA	Wind	10	25	1995-2020	9/29/2020	West Texas
SW2	Wind	91.5	12	2005-2017	2/11/2017	West Texas
SW3	Wind	35	12	2005-2017	12/30/2017	West Texas
RES - Whirlwind	Wind	60	20	2007-2027	12/31/2027	Panhandle
RES - Hackberry	Wind	165	15	2008-2023	12/21/2023	West Texas

GreenChoice subscribed and non-subscribed:

GreenChoice® Batch Subscriptions - CY 2010							
Batch	**GreenChoice Residential MWh**	**GreenChoice Commercial MWh**	**GreenChoice Total MWh**	**Non-subscribed MWh**	**% Subscribed**	**% Unsubscribed**	**Total MWh**
Batch-1	129,331	59,748	189,079	-	100%	0%	189,079
Batch-2	39,900	122,486	162,386	-	100%	0%	162,386
Batch-3	9,751	92,314	102,065	-	100%	0%	102,065
Batch-4	20,450	162,448	182,899	32,881	85%	15%	215,780
Batch-5	21,759	173,582	195,341	-	100%	0%	195,341
Batch-6	4,545	29,086	33,631	397,747	8%	92%	431,378

*****GreenChoice activity is reconciled on the basis of batches, not individual PPAs given that some batches consist of multiple PPAs.

Emissions

Austin Energy has a goal to reduce CO2 emissions by 2020 to a level that is 20% below 2005 levels. This goal was approved by the Austin City Council in April 2010 as part of Austin Energy's Generation Plan. Since 2005, Austin Energy stack emissions have been reduced by 8%. Decker Creek Power Station, Sand Hill Energy Center (SHEC) and Holly Street Power Plant (retired in 2007) are natural-gas fueled plants. The Fayette Power Project (FPP) is coal-fueled.

CO2 emissions (pounds of CO2 equivalent per MWh) by plant annually:

Fiscal Year	2005	2006	2007	2008	2009	2010
Decker	1,252.5	1,265.8	1,269.1	1,259.5	1,277.9	1,289.2
SHEC	845.3	836.2	831.0	887.3	918.9	918.8
Fayette	2,057.3	2,097.8	2,069.0	2,037.7	2,023.9	2,048.1
Holly	1,336.0	1,357.6	1,348.2	0	0	0

Austin Energy total CO2 stack emissions from owned generation in metric tonnes:

Calendar Year	2005	2006	2007	2008	2009	2010
CO2 Emissions in Metric Tonnes	5,538,227	5,426,064	6,064,444	5,854,338	5,468,898	5,083,094

*Austin Energy stack emissions have been reduced by 8% since 2005.

Carbon Intensity:

Austin Energy's system average carbon intensity in pounds of CO_2-eq/kWh:

Calendar Year	2005	2006	2007	2008	2009	2010
CO2-eq/kWh	1.17	1.14	1.18	1.16	1.10	1.10

*CO_2-eq stands for CO_2 "equivalents" and includes emissions of CO_2 and all other non-CO_2 greenhouse gases.

Affordable

Austin Energy enjoys consistently high bond ratings. A bond rating is a measure of a utility's ability to repay its debt in a timely fashion. In June 2010, the City of Austin issued up to $240 million in bonds, $150 million of which will convert short-term debt (Commercial paper) to long-term debt. The City achieved a true interest cost of 3.995% for 30 years on the bonds – one of the lowest interest rates ever for the City. Total savings over the life of the bonds versus previous interest rates for bond components will exceed $20 million.

Bond ratings at close of fiscal year, for each of the last five years:

Austin Energy Credit Ratings

Description of debt	Fiscal Year Ended	Fitch, Inc.	Moody's Investors Service, Inc.	Standard and Poor's
Combined utility revenue bonds - prior lien	2010	AA- Stable	A1 Stable	AA Stable
	2009	AA- Stable	A1 Stable	AA Stable
	2008	AA- Stable	A1 Stable	AA- Stable
	2007	AA- Stable	A1 Stable	AA- Stable
	2006	AA- Stable	A1 Stable	AA- Stable
Combined utility revenue bonds - subordinate lien	2010	AA- Stable	A1 Stable	AA Stable
	2009	AA- Stable	A1 Stable	AA Stable
	2008	AA- Stable	A1 Stable	A+ Stable
	2007	AA- Stable	A1 Stable	A+ Stable
	2006	AA- Stable	A1 Stable	A+ Stable
Electric utiltiy revenue bonds - Electric separate lien	2010	AA- Stable	A1 Positive	A+ Positive
	2009	AA- Stable	A1 Positive	A+ Positive
	2008	AA- Stable	A1 Stable	A+ Stable
	2007	AA- Stable	A1 Stable	A+ Stable
	2006	AA- Stable	A1 Stable	A+ Stable

Capital Improvement (CIP) and Operating & Maintenance actual expenditures to budget amounts, in each of the last five years:

The difference between the FY 2010 amended budget and actual expenditures is due primarily to lower fuel costs (natural gas) of almost $24 million. The variance between the FY 2010 amended budget and actual expenditures is due primarily to lower fuel costs (natural gas) of almost $24 million. This helps absorb higher than anticipated costs at the South Texas Project and higher than planned debt service payments of $1.5 million on outstanding debt.

Austin Energy

	Fiscal Year Ended	Approved Budget	Amended Budget	Actual Expenditures
Operating Budget Total Requirements	2010	$ 1,312,393,516	$ 1,312,393,516	$ 1,247,517,927
Operating Budget Total Requirements	2009	$ 1,379,690,769	$ 1,413,921,716	$ 1,300,176,900
Operating Budget Total Requirements	2008	$ 1,156,297,612	$ 1,165,360,556	$ 1,248,009,469
Operating Budget Total Requirements	2007	$ 1,124,863,219	$ 1,124,863,219	$ 1,066,420,724
Operating Budget Total Requirements	2006	$ 953,148,417	$ 974,073,417	$ 1,056,619,931
Year 1 of Capital Spending Plan	2010	$ 305,978,000		$ 201,611,828
Year 1 of Capital Spending Plan	2009	$ 347,513,000		$ 254,239,693
Year 1 of Capital Spending Plan	2008	$ 302,649,000		$ 247,874,960
Year 1 of Capital Spending Plan	2007	$ 209,828,200		$ 189,224,097
Year 1 of Capital Spending Plan	2006	$ 176,072,590		$ 133,314,748

The number of new customers (meters) added during FY 2009-2010 was 5,944, the smallest increase since FY 2002. Sales during FY 2009-2010 were .88% less than the year before, due primarily to reduced demand from large industrial customers and economic conditions. This continued a trend of declining sales which began in FY 2008-2009 when sales decreased .83%.

Customers

Austin Energy has four main customer classes: **residential, commercial, industrial, and other**. Residential customers live in single-family dwellings, mobile homes, townhouses, or individually metered apartment units. The majority of commercial customers range from small to large businesses and fall under Austin Energy's secondary level of service. This means Austin Energy owns, operates, and maintains the equipment (wires, transformers, etc.) supplying power to those facilities. Primary customers take service at high voltage and own, operate and maintain their own equipment. As a result, it costs Austin Energy less to serve these customers. Large commercial and industrial customers such as semiconductors, high-tech facilities, and data centers typically fall under the primary level of service. These customers have very high usage and load factors because they usually run 24/7. The final class, other, typically refers to street lighting and other well-lit facilities like ballparks.

- **Average number of customers by class annually**
- **Sales by customer class in MWH annually**
- **Revenue by customer class annually**
- **Percentage of revenues by customer class annually**

Customers		FY06	FY07	FY08	FY09	FY10	FY10 %
Residential	#	338,184	345,197	352,574	363,217	368,700	89.1%
Commercial	#	40,934	41,825	42,585	43,049	43,489	10.5%
Industrial	#	75	75	78	81	80	0.0%
Other	#	1,505	1,523	1,553	1,579	1,601	0.4%
Total	#	**380,698**	**388,620**	**396,790**	**407,926**	**413,870**	**100.0%**

MWH		FY06	FY07	FY08	FY09	FY10	FY10 %
Residential	#	4,079,909	3,908,318	4,226,036	4,218,600	4,238,690	35.4%
Commercial	#	4,287,176	4,350,912	4,530,470	4,480,902	4,553,867	38.0%
Industrial	#	1,779,333	1,930,289	2,233,904	2,218,315	2,038,706	17.0%
Other	#	1,150,462	1,135,550	1,195,630	1,185,323	1,145,063	9.6%
Total	#	**11,296,880**	**11,325,069**	**12,186,040**	**12,103,140**	**11,976,326**	**100.0%**

Revenue		FY06	FY07	FY08	FY09	FY10	FY10 %
Residential	**$**	387,540,000	356,143,000	416,809,000	406,393,000	407,074,000	39.5%
Commercial	**$**	367,017,000	365,991,000	408,808,000	402,032,000	409,952,000	39.8%
Industrial	**$**	108,491,000	113,248,000	138,901,000	132,792,000	122,714,000	11.9%
Other	**$**	88,462,000	84,464,000	94,472,000	91,181,000	90,390,000	8.8%
Total	**$**	**951,510,000**	**919,846,000**	**1,058,990,000**	**1,032,398,000**	**1,030,130,000**	**100.0%**

cents per kWh		FY06	FY07	FY08	FY09	FY10
Residential	**$**	$0.09499	$0.09112	$0.09863	$0.09633	$0.09604
Commercial	**$**	$0.08561	$0.08412	$0.09024	$0.08972	$0.09002
Industrial	**$**	$0.06097	$0.05867	$0.06218	$0.05986	$0.06019
Other	**$**	$0.07689	$0.07438	$0.07901	$0.07693	$0.07894
Total	**$**	**$0.08423**	**$0.08122**	**$0.08690**	**$0.08530**	**$0.08601**

System Peak Demand (kW)						
		2,430,000	**2,391,000**	**2,514,000**	**2,602,000**	**2,628,000**

MWH (% by class)		FY06	FY07	FY08	FY09	FY10
Residential	%	36%	35%	35%	35%	35%
Commercial	%	38%	38%	37%	37%	38%
Industrial	%	16%	17%	18%	18%	17%
Other	%	10%	10%	10%	10%	10%
Total	%	**100%**	**100%**	**100%**	**100%**	**100%**

Revenue (% by class)		FY06	FY07	FY08	FY09	FY10
Residential	%	41%	39%	39%	39%	39%
Commercial	%	39%	40%	39%	39%	40%
Industrial	%	11%	12%	13%	13%	12%
Other	%	9%	9%	9%	9%	9%
Total	%	**100%**	**100%**	**100%**	**100%**	**100%**

Average monthly residential usage and average bill, in each of the last five years for Austin Energy and City Public Service San Antonio:

Average Monthly KWH per Residential Customer

	2006	2007	2008	2009	2010
Austin Energy	1,005	943	998	968	958
City Public Service Energy (San Antonio)	1,181	1,076	1,148	1,143	1,139

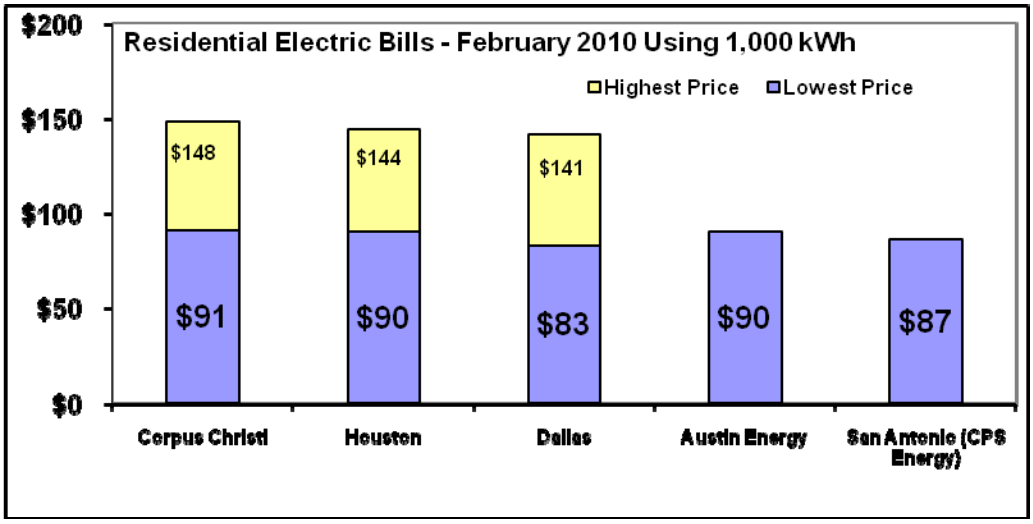
Average Monthly Bill per Residential Customer

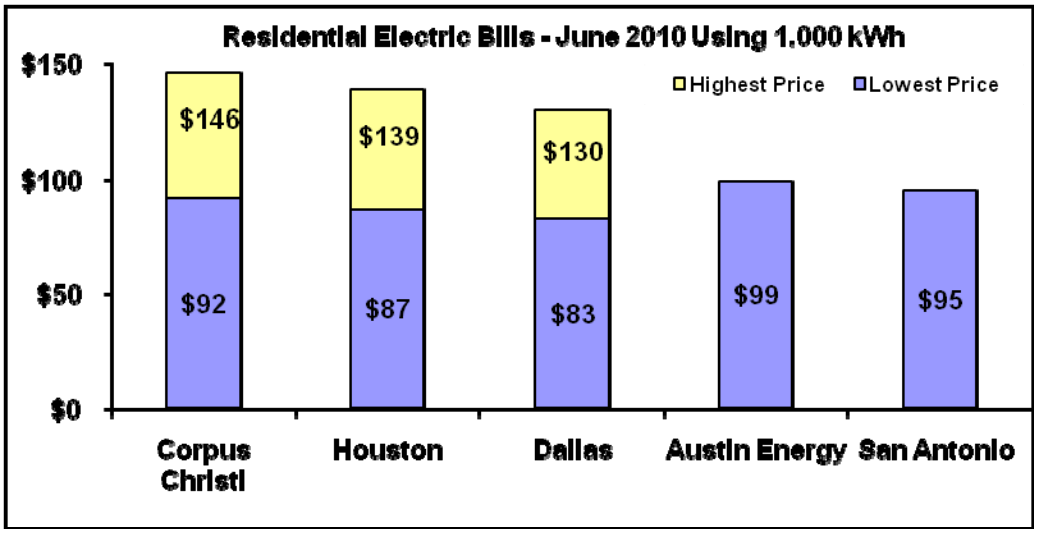
	2006	2007	2008	2009	2010
Austin Energy	$95.50	$86.07	$98.52	$93.24	$92.01
City Public Service Energy (San Antonio)	$95.67	$96.69	$101.10	$104.77	$105.00

Bill Comparison

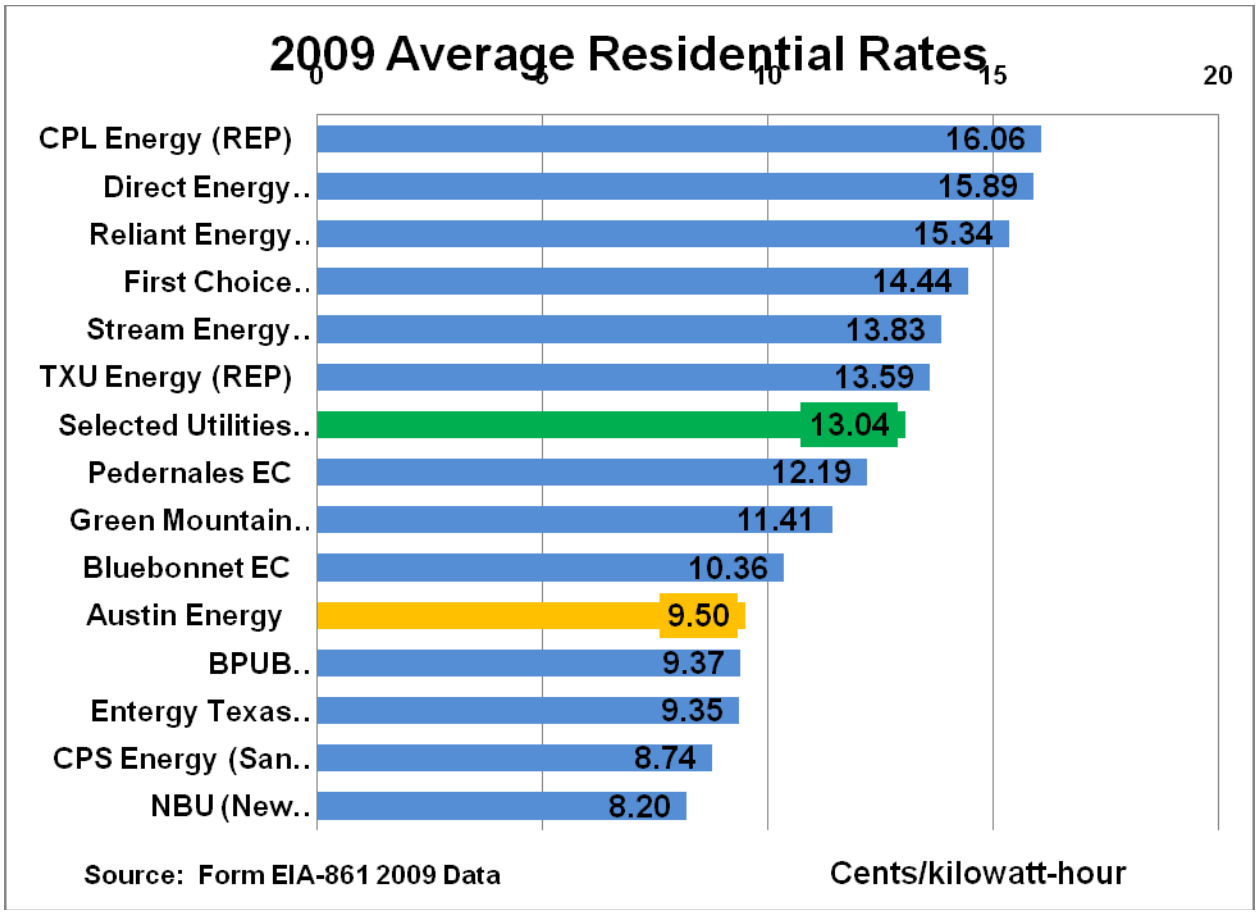
Comparison of residential customer bills for Austin, Dallas, Houston, Corpus and San Antonio, for the previous fiscal or calendar year, as can be reasonably obtained:

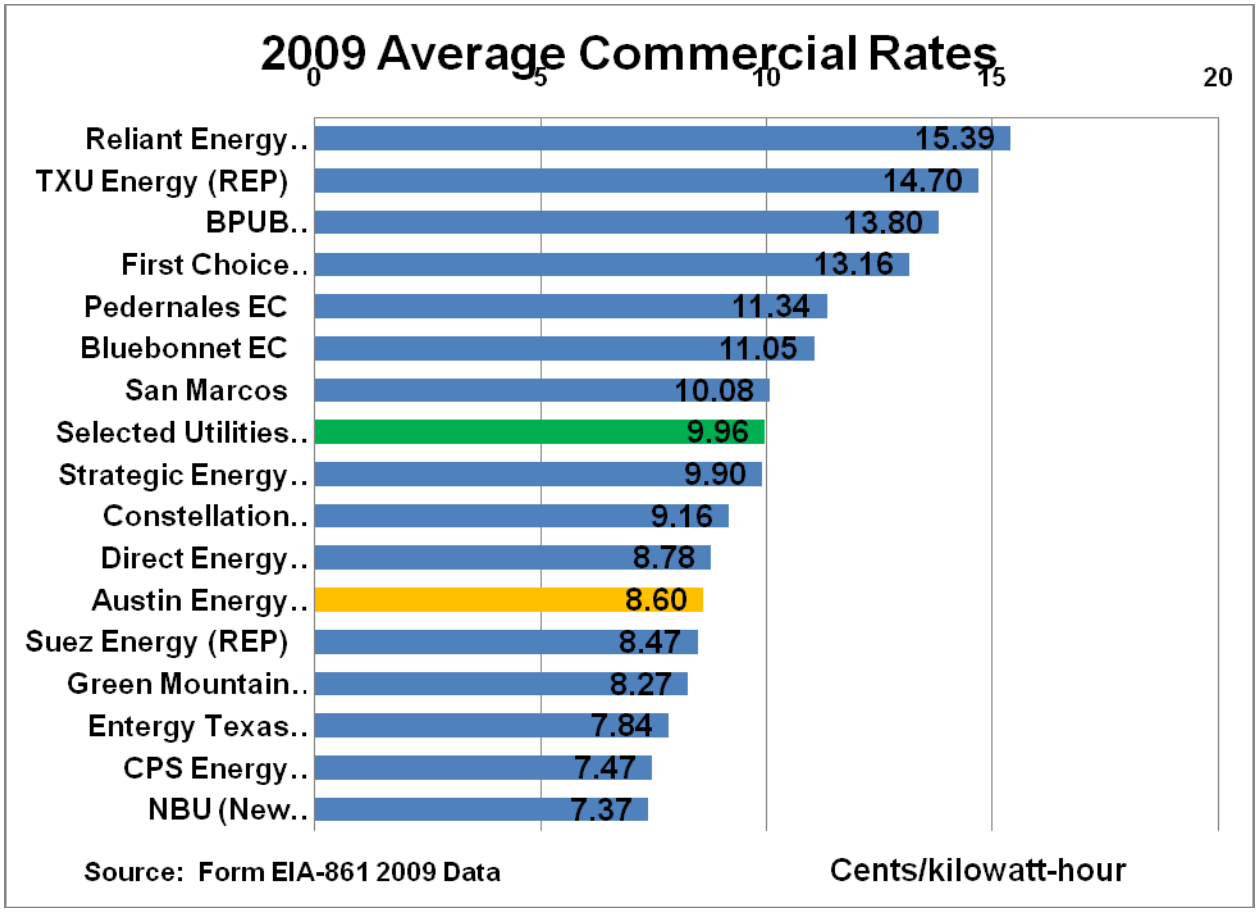
Residential Customers – Bill Comparisons
Winter 2010 and Summer 2010 (1,000 kWh)

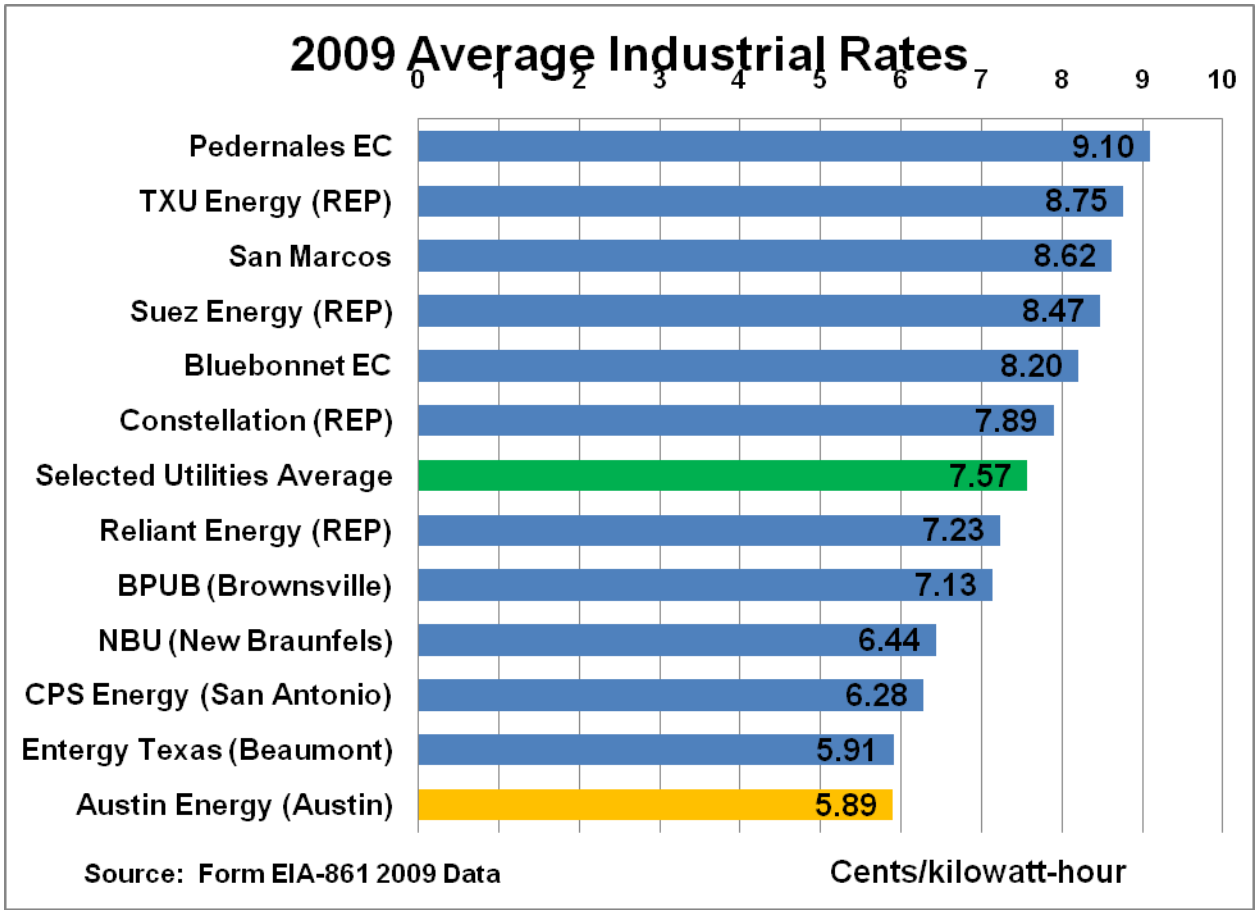




The below residential, commercial, and industrial rates were compiled as part of Austin Energy's affordability metrics released in early 2010. Numbers are based on 2009 test data and tables were compiled by the Energy Information Administration. In the future, Austin Energy will develop its own benchmarking for commercial and industrial customers.




2009 Average Commercial Rates
0
5
10
15
20
Reliant Energy..
TXU Energy (REP)
BPUB..
First Choice..
Pedernales EC
Bluebonnet EC
San Marcos
Selected Utilities..
Strategic Energy..
Constellation..
Direct Energy..
Austin Energy..
Suez Energy (REP)
Green Mountain..
Entergy Texas..
CPS Energy..
NBU (New..
15.39
14.70
13.80
13.16
11.34
11.05
10.08
9.96
9.90
9.16
8.78
8.60
8.47
8.27
7.84
7.47
7.37
Source: Form EIA-861 2009 Data
Cents/kilowatt-hour


2009 Average Industrial Rates
0
1
2
3
4
5
6
7
8
9
10
Pedernales EC
9.10
TXU Energy (REP)
8.75
San Marcos
8.62
Suez Energy (REP)
8.47
Bluebonnet EC
8.20
Constellation (REP)
7.89
Selected Utilities Average
7.57
Reliant Energy (REP)
7.23
BPUB (Brownsville)
7.13
NBU (New Braunfels)
6.44
CPS Energy (San Antonio)
6.28
Entergy Texas (Beaumont)
5.91
Austin Energy (Austin)
5.89
Source: Form EIA-861 2009 Data
Cents/kilowatt-hour

Known projected changes to base rates or fuel charge within each of the next five years:

Base Rates. Austin Energy has a rate review under way with the goal of implementing redesigned base electric rates in calendar year 2012; the amount of the increases will be determined pending completion of the current process. The base rate has not changed since 1994.

Fuel Charge. Austin Energy's fuel charge is reviewed annually. Generally, changes to the fuel rate are effective on January 1 for the calendar year.

A history of fuel rate changes:

SECONDARY SERVICE Rates provided in cents per kilowatt-hour (kWh) of elctricity usage (for Rates: E01,E02,E03,E04,E05,E06,E10,E13,E14,E23,ENW)	
January 1, 2011	3.105 cents/kWh
January 2008 - December 2010	3.653 cents/kWh
June 2007 - December 2007	3.044 cents/kWh
January 2007 - May 2007	3.343 cents/kWh
January 2006 - December 2006	3.634 cents/kWh
January 2004 - December 2005	2.796 cents/kWh
November 2003 - December 2003	2.265 cents/kwh
July 2003 - October 2003	2.004 cents/kWh
January 2002 - June 2003	1.774 cents/kWh
February 2001 - December 2001	2.682 cents/kWh
November 2000 - January 2001	2.211 cents/kWh
August 2000 - October 2000	1.635 cents/kWh
January 1999 - July 2000	1.372 cents/kWh

The fuel charge is a dollar-for-dollar cost recovery mechanism. Components of the fuel charge include fuel and fuel transportation costs, power purchase costs, renewable energy contract costs not covered by subscriptions, transmission congestion costs, hedging costs associated with energy and fuel, and charges applied by ERCOT to serve load and generate energy in the wholesale market.

Calendar Year 2011 Projected Fuel Charge Breakdown (as of July 2011):

Natural Gas	**Sand Hill, Decker & Mueller**	**28%**

- Supply
- Pipeline Transportation
- Storage
- Financial Hedging

Coal	**Fayette**	**30%**

- Supply purchases
- Rail Transportation
- Diesel Fuel for plant start up

Renewable Power – Unsubscribed	**5%**

- Congestion costs associated with renewable power
- Congestion hedging

Conventional Purchase Power & Capacity	**29%**

- Long or short term power purchases
- Long or short term capacity purchases (ex. ancillary / reserve services)

STP	**5%**

- Amortized fuel expense

ERCOT	**3%**

- ERCOT administrative fee
- North American Electric Reliability Corporation / Texas Reliability Entity fee
- Nodal surcharge
- Uplift charges (applied to all load on a load share basis)
- Real-time charges (ex. resource / load imbalance, mismatched schedule, uninstructed resource charge)

Fuel under/(over) collections at close of fiscal year, for each of the last five years:

Austin Energy

	Fiscal Year Ended	Amount
(Over)/Under Fuel Recovery	2010	$ (39,230,735)
(Over)/Under Fuel Recovery	2009	$ (22,696,920)
(Over)/Under Fuel Recovery	2008	$ (1,730,474)
(Over)/Under Fuel Recovery	2007	$ (19,380,165)
(Over)/Under Fuel Recovery	2006	$ 5,459,075

Deferred Payment Plans

Payment plans are available to utility customers who fall behind on their utility bills. During FY 2010 an average of 12,389 residential customers per month were on payment plans, slightly up from the year before (11,984).

Fiscal Year	Avg. # of Payment Plans Per Month	Average Monthly Payment Per Fiscal Year	Avg. Dollars Per Month Per Fiscal Year	Total Dollars Per Fiscal Year
FY 2009/2010	12,389	$510	$ 6.3 M	$75.7 M
FY 2008/2009	11,984	$487	$ 5.9 M	$70.8 M
FY 2007/2008	11,366	$557	$ 6.4 M	$76.8 M
FY 2006/2007	7,301	$563	$ 4.1 M	$49.6 M
FY 2005/2006	6,160	$603	$ 3.5 M	$44.6 M

Bad Debt Expense

Bad debt expense is the estimated amount of accounts receivable that will become uncollectable. Inactive accounts over 60 days are generally turned over to a collection agency.

Bad debt expense in each of the last five years:

Fiscal Year	Revenue	Bad Debt Expense	Percentage
FY 2010	$1,151.8 B	$4.2 M	0.365%
FY 2009	$1,165.9 B	$3.6 M	0.309%
FY 2008	$1,219.8 B	$2.1 M	0.172%
FY 2007	$1,060.0 B	$3.5 M	0.330%
FY 2006	$1,075.9 B	$5.3 M	0.493%

Affordable (Operations)

Heat Rate

The heat rate is the number of British Thermal Units (BTU) needed to produce a kilowatt-hour (kWh) of electricity. In other words, the heat rate is a measurement of how efficiently a generating unit converts fuel into electricity. The lower the heat rate, the higher the efficiency.

The slight increase in the overall system heat rate, system fuel cost average and system production cost for FY10 from the year before are due to several factors. The Fayette Power Project was operated more in FY 2010 than the previous year. New generating peaking units 6 & 7 were added to the Sand Hill facility. Finally, the combined cycle unit at Sand Hill was operated less than the year before while the simple cycle units (peaking units) were operated more.

Measure	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
System annual average heat rate (BTU/net kWh)	10,040	9,837	9,803	9,810	9,884

System Fuel Cost Average

The system annual average fuel cost, in cents per kilowatt-hour of electricity produced:

Measure	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
System annual average fuel cost (fuel/kWh)	3.178 cents per kwh	2.905 cents per kwh	3.655 cents per kwh	3.371 cents per kwh	3.446 cents per kwh

System Production Cost

The system annual average production cost in cents per kilowatt-hour of electricity produced includes fuel costs plus operating and maintenance costs. During FY 2010 there were two refueling outages at STP causing a slightly higher production cost per kWh.

Measure	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
System annual average production cost (includes fuel plus operating & maintenance)	3.930 cents per kwh	3.831 cents per kwh	4.403 cents per kwh	4.165 cents per kwh	4.331 cents per kwh

Total energy produced by each fuel type in kWh and as a percentage of the total, in each of the last five fiscal years:

Percent of Power by Fuel Type

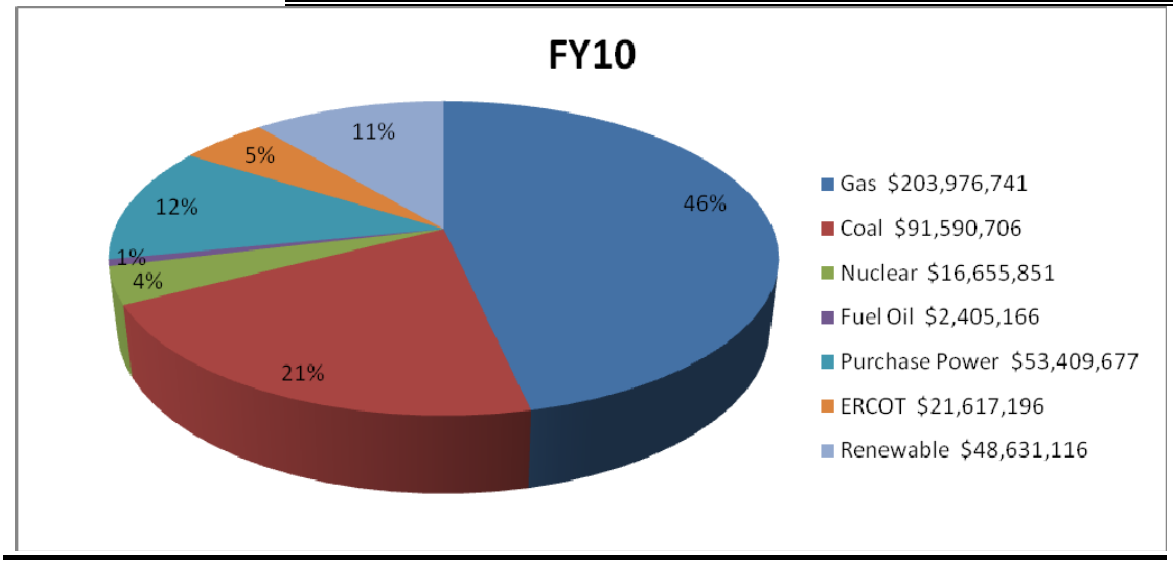
% Generation	2006	2007	2008	2009	2010
Coal	29.7%	32.2%	33.2%	28.3%	32.5%
Natural Gas & Oil	27.9%	27.3%	25.7%	26.5%	22.3%
Nuclear	27.3%	25.8%	27.1%	26.4%	25.2%
Renewable Energy	5.7%	5.1%	6.1%	9.5%	9.7%
Purchased Power	9.4%	9.6%	7.9%	9.3%	10.3%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

The price of natural gas during FY 2010 was largely unchanged compared to prices seen over the previous year.

Total costs by fuel type and percentage of total, in each of the last five years:

Fuel Cost		FY06	FY07	FY08	FY09	FY10
Gas	$	258,452,424	235,403,993	250,721,680	214,711,985	203,976,741
Coal	$	49,519,262	50,360,624	87,063,860	84,635,000	91,590,706
Nuclear	$	13,485,443	14,197,169	15,823,059	16,866,183	16,655,851
Fuel Oil	$	525,532	1,382,440	420,142	566,981	2,405,166
Purchase Power	$	34,748,961	42,158,639	90,621,318	54,863,996	53,409,677
ERCOT	$	5,830,181	-10,892,545	10,165,180	21,889,298	21,617,196
Renewable	$	18,828,277	18,559,209	26,183,662	49,567,759	48,631,116
Total	$	**381,390,080**	**351,169,529**	**480,998,901**	**443,101,202**	**438,286,453**

Fuel Cost (% by type)		FY06	FY07	FY08	FY09	FY10
Gas	%	68%	67%	52%	49%	46%
Coal	%	13%	14%	18%	19%	21%
Nuclear	%	3%	4%	3%	4%	4%
Fuel Oil	%	0%	0%	0%	0%	1%
Purchase Power	%	9%	12%	19%	12%	12%
ERCOT	%	2%	-3%	2%	5%	5%
Renewable	%	5%	6%	6%	11%	11%
Total	%	**100%**	**100%**	**100%**	**100%**	**100%**



Reliable

Austin Energy invests about $80 million dollars a year on average on capital improvements in the electric system. Austin Energy invests about $10 million a year in its tree trimming program (Vegetation Management). A staff of 13 Austin Energy arborists and foresters oversee the program which utilizes two contract tree trimming companies.

Austin Energy ranked 1st for reliability among 28 utilities in a benchmark study that included Seattle City Light, CPS in San Antonio and investor-owned utilities Oncor (Dallas) and CenterPoint (Houston). Over the last five years, Austin Energy posted a 49.54 minutes SAIDI (average length of outages) versus a 164.97 minutes average by participating companies in the top quartile. Austin Energy also posted a 0.65 SAIFI (average number of outages per customer annually) against a 1.34 average by utilities in the top quartile. Electric Service Delivery participated in the study to enhance development and reporting of measures as part of its ISO 9001 certification for quality management processes.

Austin Energy has established long-term goals that the average number of power outages per customer not exceed 0.80 per year, that the average duration of power outages not exceed 60 minutes and that the 12-month rolling average of the number of transmission line faults per 100 miles not exceed 3.00.

- **Average number of outages per customer (SAIFI) annually**
- **Average length of outages per customer served (SAIDI) annually**
- **Number of transmission line faults per 100 miles of transmission line per 12-month period (SATLPI)**

Measure	Target	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
SAIFI	0.80	1.00	1.02	0.63	0.89	0.69
SAIDI	60.00	84.68	82.13	46.48	63.41	51.57
SATLPI	3.00	3.56	3.24	1.46	2.10	1.94

Line Clearance Program

AE is one of the few utilities in the nation that seeks to meet with each property owner in advance of tree trimming. A plan detailing the trimming needed for each tree on a property is discussed and provided to the property owner for their acknowledgment and signature. When property owners refuse to meet or cooperate with scheduling, they receive a "refusal letter" which indicates when trimming will occur. The number of refusal letters annually is extremely small, less than 1%.

- **Average number of miles trimmed annually**
- **Number of properties involved annually**
- **Number of refusal letters annually**

Fiscal Year	Miles	Properties	Refusals
FY 2010	324	13,223	38
FY 2009	480	13,892	26
FY 2008	409	12,145	47
FY 2007	307	11,581	55
FY 2006	267	8,876	39

FY 2010	% of customers satisfied with line clearance on their property	% of customers who acknowledge importance of line clearance
Quarter 1	79%	98%
Quarter 2	82%	89%
Quarter 3	77%	96%
Quarter 4	72%	98%

*****Note: All customers surveyed had trees trimmed in FY 2010.

Equivalent Availability Factor

A reliable generation fleet enables Austin Energy to meet customer demand during peak hours, improves the economic dispatch of system units and provides opportunities to increase revenues through off-system sales. A common measure of reliability for generating units is the Equivalent Availability Factor (EAF). The EAF is a measure of the number of hours the full capacity of a generating unit is available per the total period hours.

Availability targets for baseload facilities (South Texas Project [STP] and Fayette Power Project [FPP]), are adjusted annually depending on the duration of any planned outages for that year. For intermediate and peaking facilities, Austin Energy's peak season availability target is greater than or equal to 95%.

Performance results measuring Equivalent Availability Factor (EAF):

Measure	Target	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
STP	94.8%	95.3%	90.6%	96.1%	91.65%	90.5%
FPP	94.2%	87.0%	93.1%	91.1%	96.03%	83.78%
Sand Hill Unit 5A	95%	87.65%	99.96%	99.43%	99.2%	99.17%
Sand Hill Units 1-4	95%	96.52%	88.88%	97.53%	98.31%	98.17%
Decker GT 1-4	95%	94.67%	85.71%	85.11%	88.34%	90.49%
Decker D 1-2	95%	90.96%	87.62%	90.13%	91.79%	82.63%

ERCOT Forced Load Reduction

While ERCOT does issue power watches when reserves are low, load reduction for Austin Energy customers is voluntary during these watches. ERCOT has only issued two mandatory orders for load reduction statewide – in February 2011 and April 2006.

ERCOT Event	AE Load Reduction	Rolling Blackouts Ordered	Firm Load Restored
*February 2, 2011	160 MW	5:43 a.m.	1:07 p.m.
April 17, 2006	40 MW	4:13 p.m.	6:10 p.m.

*Beyond intended reporting period.

Austin Energy accounts for approximately 4% of the statewide grid, meaning Austin Energy is required to shed 4% of ERCOT's total load reduction during an event. On Feb. 2, 2011, ERCOT rapidly increased its load shedding requirement to 4,000 MW which resulted in 160 MW of load shedding for Austin Energy. In April 2006, ERCOT required load shedding for 1,000 MW which translated to 40 MW for Austin Energy.

The table below shows outages lasting more than 12 hours for Austin Energy managed generating units in FY 2010 due to equipment malfunctions or other problems:

Unit	Outage Start Date/Time	Outage End Date/Time	Duration (hours)	Description
Sand Hill Energy Center Combined Cycle Unit				
Unit 5A & 5C	11/27/09 13:00	11/28/09 12:00	23	Leak on HRSG Tube.
	1/9/10 19:16	1/10/10 17:33	20:17	Combustion air leak in gas turbine module.
	1/11/10 18:00	1/15/10 21:15	99:15:00	Condenser vacuum leak.
	6/23/10 15:29	6/24/10 14:45	23:16	Combustion air leak in gas turbine module.
Sand Hill Energy Center Simple Cycle Gas Turbines				
Unit 1	5/10/10 21:45	5/11/10 9:54	12:09	Unit failed to fire.
Unit 2	1/31/10 12:43	2/1/10 10:01	21:18	Leaks on intake heat exchanger – could not maintain inlet air temperature above OEM anti-icing minimum.
Unit 3	10/13/09 21:18	10/14/09 14:59	14:33	Vibration monitoring system failure.
Unit 6	6/15/10 10:00	6/17/10 15:18	53:17:00	Oil contamination in cooling tower.
	9/27/10 7:00	10/1/10 0:00	99:00:00	Failure to meet air emissions limits.
Unit 7	6/15/10 10:00	6/17/10 15:18	53:17:00	Oil contamination in cooling tower.
Decker Steam Units				
Decker 1	10/1/2009 0:00	10/3/2009 22:35	70:35	Boiler tripped due to feedwater heater seal rupture.
Decker 2	1/22/2010 3:30	1/22/2010 18:01	14:31	Unit tripped due to turbine bearing problems.
On-Site Energy Services				
Mueller EC	1/30/2010 12:05	3/21/2010 16:50	1924:45	Seal in combustor fractured – destroyed turbine section.
Fayette Power Project – Operated by LCRA				
Unit 1	1/11/2010 16:28	1/13/2010 8:17	39:82	High turbine metal temperature mismatch. Unable to roll turbine.
	3/17/2010 22:28	3/19/2010 11:40	37:2	Waterwall tube leak at 5D ignitor seal box. Repaired 1 condenser tube leak in West side.
	11/21/2010 15:00	1/8/2010 9:10	1146:17	Changed from planned outage due to A & B LP turbine rotor crack repair and generator field rewind.
Unit 2	7/10/2010 0:40	7/11/2010 12:26	35:77	Replaced M2 exciter ACL card PA fan “A” bearing work. Repaired CW leak on exciter DP line. Added shots to generator shaft.
South Texas Project – Operated by STP Nuclear Operating Company				
STP 1	2/3/2010 17:02	2/9/2010 7:16	134:233	While conducting monthly rod testing surveillance, a second control rod issue was discovered with Shutdown Bank A, Rod B12. In early January a similar issue was experienced with Shutdown Bank D, Rod C5. To comply with the Technical Specification Action for this condition, the unit was taken offline. Root cause analysis determined the cause of the issue and testing demonstrated that all rods in all banks were functioning properly. In addition, specific testing validated that the two control rods in question, Rod B12 and Rod C5, could be fully inserted and withdrawn.

Customer Satisfaction

Austin Energy is proactive in addressing customer needs and regularly monitors customer satisfaction through customer surveys. Overall customer satisfaction has declined in recent years, particularly among commercial customers. This is mainly driven by worsening economic conditions since October 2008. Costs – from a per unit standpoint reflected in electric rates – have not increased over this time period (including fuel charges). However, the increase in all costs related to business operations, coupled with the fact that weather-related consumption has increased the past two summer periods (FY09/FY10), have magnified the perception that energy-related costs have risen. In a period of economic distress, price as a driver of satisfaction becomes more critical relative to other drivers (such as reliability or the level of customer service).

Overall customer satisfaction ratings for Austin Energy annually and customer satisfaction ratings by customer type annually:

Measure	Target	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Overall Customer Satisfaction	83/100	80/100	80/100	82/100	75/100	71/100

Customer Satisfaction	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Residential	75%	72%	76%	73%	74%
Commercial	81%	83%	84%	76%	78%
Key Accounts	84%	84%	86%	75%*	60%*

*In FY 09-10 a new vendor performed the survey; results are not directly comparable to prior years due to differences in surveying methodology and scoring metrics.

Call Center Operations

The City of Austin Utility Contact Center is managed by Austin Energy. On average the center receives about 6,000 calls per day and Online Customer Care handles about 12,000 requests per month.

Number of customer calls handled by the Utility Customer Contact Center annually:

Fiscal Year	Calls Received
FY 2010	1,525,739
FY 2009	1,435,929
FY 2008	1,405,573
FY 2007	1,416,055
FY 2006	1,545,433

Average speed in answering calls by the Customer Contact Center customer service representatives:

Fiscal Year	Seconds
FY 2010	90
FY 2009	92
FY 2008	74
FY 2007	74
FY 2006	122

Payments Processing

Since March of 2008, 100% of all City of Austin utility payments have been posted the same day received—far exceeding the industry average of up to three days. This requires the daily posting of about 24,000 checks and payment stubs.

In addition, the number of payments received electronically is exceptionally high and continues to increase. Part of that success is due to the fact that some 50 retail locations where utility bill payments can be made such as HEB, Randalls and Ace Cash Express locations utilize a Western Union wire program set up by Austin Energy staff to transfer customer utility bill payments to the utility. Payments through the pay station Western Union program have averaged more than 750,000 a year.

Percentage of bill payments received manually vs. electronically:

FY Year	% Manual Payments	% Electronic Payments
2006	72.57%	27.43%
2007	64.76%	35.24%
2008	59.27%	40.73%
2009	54.79%	45.21%
2010	49.83%	50.17%

Breakdown of Payments								
Fiscal Year	**Authorized Pay Stations via Western Union (ex. ACE Cash Express, HEB, Money Box, Randalls)**	**Online Banking (via customer's bank)**	**Bill Matrix (via phone or Austin Energy Website) (credit, debit, e-check)**	**Austin Energy Website (Registered with Online Customer Care) (e-check)**	**Electronic Fund Transfer (draft by AE)**	**Misc. (ex. Collections, IRS)**	**Walk-in Payment Centers**	**Mail**
2006	11.44%	8.83%	2.98%	0.64%	3.07%	0.46%	N/A	72.57%
2007	11.99%	12.25%	3.47%	3.37%	3.76%	0.41%	1.36%	63.40%
2008	12.57%	13.90%	3.89%	5.82%	4.21%	0.34%	1.38%	57.89%
2009	12.83%	15.26%	4.24%	7.94%	4.60%	0.34%	1.36%	53.43%
2010	13.05%	16.87%	4.79%	9.59%	5.54%	0.32%	1.24%	48.59%

Customer Assistance Programs

In addition to payment plans to assist customers who fall behind on utility bill payments, Austin Energy has developed for the City of Austin one of the most generous Customer Assistance Programs in the nation for customers truly in need. Utility bill discounts are a key component of the program. They are provided to customers already receiving benefits through a variety of federal, state, county, or city assistance programs. Nearly 10,000 customers are currently receiving combined utility bill discounts ($280 of which is from Austin Energy) at an average of about $400 per year per family. Total savings for the group is almost $4 million annually.

Average number of customers enrolled in the Utility Discount Program for electric only and average total customer savings in dollars annually:

Utility Discount Program (electric only)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Average Customers	4,959	5,134	4,005	5,137	8,599
Average Combined Customer Savings	$1.352 M	$1.320 M	$1.084 M	$1.453 M	$2.402 M

*****December 2010 had the highest enrollment with 9,849 customers.

Utility Discount Average Benefit Annual/Monthly (electric only):

Average Benefit (electric only)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Monthly	$112,735.95	$110,067.80	$90,369.94	$121,122.83	$200,249.40
Annual	$1,352,831	$1,320,814	$1,084,439	$1,453,474	$2,402,993
Household Per Month	$22.73	$21.44	$22.56	$23.58	$23.29

Utility Discount Program Automatic/Manual Enrollment:

Enrollment Type	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Automatic	0	0	0	2,547	3,525
Manual	4,959	5,134	4,005	2,590	5,074
Total	4,959	5,134	4,005	5,137	8,599

*Automatic enrollment was not put in place until late 2009. Manual enrollments reflect the average number of households enrolled for each fiscal year.

Emergency Utility Bill Assistance – Plus 1 Fund

The City of Austin provides emergency financial assistance to customers experiencing extreme hardships such as medical illness or sudden job loss. In 2009 the City of Austin doubled to $300,000 the amount of money made available annually for emergency utility bill financial assistance. Utility customers also donate about $45,000 a year on average to this cause. The funding is administered by more than a dozen social service agencies including Travis County Family Services and Meals on Wheels.

Austin Energy Plus 1 Fund Contributions by Source:

Funding Source	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Austin Energy	$100,000	$125,000	$150,000	$300,000	$300,000
City of Austin Combined Charities	$0	$0	$0	$4,718.13	$3,820.47
Residential Customers	$46,335	$42,221	$44,438	$43,649	$39,723*
Total	$146,335	$167,221	$194,438	$348,367.13	$343,543.47

* Drop in donations is due to EFT enrollment which does not allow donations.

Free Weatherization Program

Austin Energy offers free weatherization services to qualified low-income, elderly and physically/mentally disabled customers. The program covers up to $1,500 worth of home improvements including the installation of attic insulation, sealing and repairing of ducts, adding solar screens to windows, installing weather stripping around entry ways, and other minor energy-related repairs to address substandard housing conditions. Energy Star compact fluorescent light (CFL) bulbs are also installed in high usage fixtures.

Home safety improvements include advanced smoke and carbon monoxide detectors and improved methods of air testing to insure the customer's health and safety. Austin Energy also provides a limited number of Energy Star window air conditioning units to qualified customers.

For FY 2010, Austin Energy receive a grant of $5,190,874 from American Recovery and Reinvestment Act (ARRA) funds for weatherization of homes for low-income, elderly, and disabled customers within Austin Energy's service area. Under this program, customers receive up to $6,500 worth of improvements which include new energy efficient appliances. Between Sept. 2, 2010 and Aug. 29, 2011, a total of 1,263 homes have been weatherized using ARRA funds.

Customer Assistance Program Customers Receiving Free Weatherization:

Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
CAP Customers Receiving Weatherization	720	632	505	538	456*

*FY 2010 homes received weatherization through use of ARRA funds.

Web Site Links

Austin Energy will provide links to AE data that relates to budget, Council approval of purchases, financial reports to Council, energy efficiency and renewables reporting as well as links to AE submitted market and utility industry reporting.

Quarterly Report to EUC
http://www.ci.austin.tx.us/budget/10-11/downloads/all_combined_2nd_quarter_report_2010.pdf

List of payments under City Council limit (to CC on a monthly basis)
http://www.ci.austin.tx.us/cityclerk/edims/2010/2010_council_index.htm

Links to RCAs http://www.ci.austin.tx.us/cityclerk/edims/2010/2010_council_index.htm or
http://www.cityofaustin.org/edims/advance_search.cfm

Links and instructions to budget, fee schedules and financial policies
http://www.ci.austin.tx.us/budget/default.htm or http://www.ci.austin.tx.us/budget/budget.htm

RMC reports and presentations including Energy Efficiency/Solar Reports
http://www.ci.austin.tx.us/cityclerk/boards_commissions/boards/bid44.htm

EUC reports and presentations including Financial Report
http://www.ci.austin.tx.us/cityclerk/boards_commissions/boards/bid27.htm

Link and instructions to Bond Official Statement (OS)
http://www.ci.austin.tx.us/finance/treasury.htm

Link and instructions to Comprehensive Annual Financial Report (CAFR)
http://www.ci.austin.tx.us/controller/

Link to emissions including hourly or aggregated NOx, SO_2 and CO_2 emissions, heat input, and energy output for large electricity generating units. The latest data available is from the previous calendar quarter.
http://camddataandmaps.epa.gov/gdm/index.cfm?fuseaction=iss.isshome

ERCOT - Posted within two (2) days after the applicable Operating Day

Aggregated Bid Curves - quantities and prices of hourly bids for balancing energy up and down
http://www.ercot.com/mktinfo/agg_bid/index.html

Self-arranged ancillary services for each type of service, by hour
Up-Reg, Down-Reg, Responsive, Non-Spin
http://www.ercot.com/mktinfo/

Self-arranged energy schedules
http://www.ercot.com/gridinfo/

Actual resource generation
http://www.ercot.com/gridinfo/

Load and resource generation for each QSE that dynamically schedules its resources
http://www.ercot.com/gridinfo/sysplan/

Scheduled Load and Actual Load
http://www.ercot.com/gridinfo/sysplan/

ERCOT - Entity Specific Market Reports

Posted sixty (60) days after the applicable Operating Day

Final energy schedules for each Qualified Scheduling Entity (QSE)
http://www.ercot.com/mktinfo/services

Final ancillary services schedule for each QSE
Up-Reg, Down-Reg, Responsive, Non-Spin
http://www.ercot.com/mktinfo/services/

Resource plans for each resource represented for each QSE
http://www.ercot.com/gridinfo/sysplan/

Actual generation from each resource
http://www.ercot.com/gridinfo/sysplan/

All ERCOT dispatch Instructions for balancing energy and ancillary services Balancing Up, Balancing Down, Up-Reg, Down-Reg, Responsive, Non-Spin
http://www.ercot.com/gridinfo/sysplan/

Load and resource generation for each QSE that dynamically schedules its resources
http://www.ercot.com/gridinfo/sysplan/

Staff Briefings and Reports provided to the Electric Utility Commission in 2011

JANUARY 24, 2011
- AE Quarterly Briefing (rate review, renewables planning, affordability, near-term strategies)
- Customer Care & Billing Project
- Customer Privacy
- Tariff for EV Charging Stations
- Energy Efficiency Cost Recovery Rider
- Quarterly Report: M/WBE Goals (Purchasing Office)—submitted via email

FEBRUARY 28, 2011
- Customer Privacy Issues follow up
- Status of EGRSO funding for FY2012 and add'l departmental allocations of expenses
- Final version of Energy Efficiency Cost Recovery Rider
- Rate Redesign Process
- Legislative Report
- Report on Rolling Blackouts of Feb. 2, 2011

MARCH 21, 2011
- Monthly Update on Rate Redesign Process
- Clean Energy Accelerator (DOE Better Buildings Program
- Meter Implementation Project (submitted via email)

APRIL 18, 2011
- Rate Redesign Process

MAY 16, 2011
- Texas Nodal Market Implementation
- Five-Year Financial Forecast and FY 2012 Budget work session
- Fuel Hedging Program – Exec Session briefing
- Report on M/WBE Goals (Purchasing Office)—submitted via email

JUNE 20, 2011
- Rate Redesign Process
- FY 2012 Budget Work Session
- Generation Resources – Exec Session briefing
- Power Factor – written report submitted

JULY 18, 2011
- Rate Redesign Process
- Annual Performance Report FY 2010
- Plans for additional long-term wind power purchase agreements
- Report on software purchases including costs, functions

AUGUST 15, 2011
- FY 2011-2012 Budget Presentation, Action
- Rate Redesign Process
- Annual Performance Report FY 2010
- Report on M/WBE Goals (Purchasing Office)—submitted via email

SEPTEMBER 1, 2011
Special-called meeting to discuss Rate Redesign Process – staff recommendations

SEPTEMBER 19, 2011
Rate Redesign Process

OCTOBER 3, 2011
Special-called meeting to discuss Commercial and Industrial Electric Rates

OCTOBER 17, 2011
- Development of Electric Rate Recommendations for submission to City Council
- Provide input on solar generation planning per Council Resolution No. 20110804-027
- Election of Officers

OCTOBER 20, 2011
Special-called meeting to Develop Electric Rate Recommendations for submission to City Council

NOVEMBER 14, 2011
- Acceptance of 2010 Annual Performance Review
- Adopt 2012 meeting schedule
- Provide input on strategy to reach goal of 800 MW of peak demand savings by 2020, per Council Resolution No. 20111006-060
- Report on M/WBE Goals (Purchasing Office)—submitted via email

DECEMBER 19, 2011
- Council presentation – AE Recommendations and Report on Electric Rate Redesign
- Budget Billing
- Presentation of Imagine Austin Comprehensive Plan proposal by City staff